

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Paris, Saturday-Sunday, October 1-2, 1994

No. 34,708

Ferry Sank After Its Bow Came Open, Experts Say

Tougher Inspections Ordered Amid Reports About Near-Disasters

By Erik Ipsen

International Herald Tribune

STOCKHOLM — Swedish maritime officials said Friday that the hinged bow section of the ferry Estonia had opened in heavy seas, allowing water to flood the open vehicle deck and causing the ship to sink with the loss of more than 900 lives.

The officials said the tragedy cast doubt on the seaworthiness of such roll-on, roll-off ferries, especially in light of reports that there had been several near-disasters before the sinking of the Estonia early Wednesday on a voyage between Tallinn, Estonia, and Stockholm.

The wreck of the Estonia was located on the seabed by sonar Friday between 80 and 90 meters (260 and 290 feet) down. Of the 1,046 passengers and crew members aboard, 909 are presumed to have died.

Bengt-Erik Stenmark, the safety director of Sweden's National Maritime Administration, announced tough new inspections on the bow sections of such ferries. He said it also might be necessary to impose restrictions on their sailing in heavy weather.

"We have to examine the whole RO-RO concept and try to find out if anything can be done to existing ships," Mr. Stenmark said, referring to the roll-on, roll-off design, in which vehicles are easily loaded and discharged. He added that he was "pessimistic" that such changes could ever prove totally foolproof.

According to Mr. Stenmark and other Swedish safety experts, the hydraulic locking pins holding down the hinged bow section of the Estonia may have been loosened in the storm-whipped Baltic Sea. The inner door, which also acts as a vehicle ramp, might then have held the heavy bow section slightly ajar, allowing water to pour onto the vehicle deck.

"I am convinced that it had an inflow of water through the open bow section," Mr. Stenmark said. "The weight of the water deck awash in water, a slight tilt in the boat sent an immense weight of water rushing to one side, forcing the ferry into a heavy list."

He said this had resulted in "a total collapse of the ship," which went down with engines and electrical systems dead.

Mr. Stenmark based his opinion on the accounts of two key witnesses. One reported walking on the vehicle deck in water up to his knees shortly before the Estonia heeled over. Another survivor said that the ferry's bow had been completely broken off when it finally went down.

New international safety regulations come into effect Saturday, making it obligatory for older ships like the Estonia, which was built in 1980, to have a warning system advising the crew if the bow section or other cargo doors are open. It was not known whether such a system was working on the Estonia at the time of the disaster.

Maritime experts said that the safety regulations concerning roll-on, roll-off ferries needed to be swiftly reviewed because of the inherent instability of such vessels. They said that only a few inches of water on the vast vehicle deck of the Estonia could have weighed hundreds of tons, dooming the ship to capsize if the water shifted.

The reports of several near disasters emerged as the experts were seeking to establish what had gone wrong. One such report concerned the Estonia's sister ship, the Diana II, which was scheduled to enter service next month.

Maritime sources said that on a trip last year from Trelleborg, Sweden, to Rostock, Germany, the ship's upward-pivoting bow section failed, allowing water to enter the vehicle deck.

"The Estonia catastrophe could perhaps have been avoided if the ferry operators had followed the law and reported earlier near-accidents of ferries with the Estonia's construction," Mr. Stenmark said later in a television interview.

Not until the Estonia has been examined

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A Haitian arrested by a U.S. soldier in Port-au-Prince on Friday after the man's car was found to hold weapons.

GLs in Haiti Await 'Turbulent Weekend'

New Eruption of Violence in Capital Leaves 3 Dead at Pro-Aristide March

By William Booth and Douglas Farah

Washington Post Service

PORT-AU-PRINCE, Haiti — Thousands of pro-democracy supporters marking the third anniversary of the coup that toppled Haiti's exiled president, Jean-Bertrand Aristide, were scattered Friday by pro-military gunmen who fired shots.

At least three people were killed in the violence, including a man beaten to death by an angry crowd, and a dozen others were wounded.

The U.S. defense secretary, William J. Perry, predicted "a turbulent weekend" and unrest continuing as long as two weeks, The Associated Press reported.

But Mr. Perry said the U.S. military mission in Haiti was not escalating beyond control. "Our expectation of what we were going to run into in Haiti has always included the recognition that this is a country with a history of violence," he said.

He added that intelligence reports indicated threats of further violence among Haitians and, to a lesser degree, against American troops. "We do have some scattered reports of unknown credibility that there may be deliberate attempts to target Americans," he said.

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Demonstrators waving Aristide posters poured out of a jubilant Mass at the city's Notre Dame Cathedral on Friday morning and were marching toward the cemetery when they clashed with armed men near a bar and gathering spot in central Port-au-Prince for the violent anti-Aristide group known as FRAPH, the Front for Advancement and Progress in Haiti.

As gunmen fired on the marchers, who had wandered from their planned route, U.S. troops were massed blocks away in tanks and jeeps. They did not intervene at the clash nor did they stop wild, knife-wielding looters from tearing apart a storehouse near the city port.

The looting and the clash underscore the dangerous ambiguity of the American military role here. Many pro-Aristide demonstrators asked why U.S. forces did not protect them from armed paramilitary forces that have sworn to block the return of Father Aristide, a Roman Catholic priest. The U.S. troops appeared not to follow the most recent rules of engagement, which allows them to intervene to protect lives.

"They'll kill us!" one man screamed, his shirt bloodied. "Please do something!" Colonel Barry Willey said U.S. forces were positioned at the outskirts of central Port-au-Prince, by prior arrangement with the Haitian military, leaving the protection of the pro-Aristide march to Haitian policemen, who oppose Father Aristide's return.

The U.S. Embassy spokesman, Stan Schragger, lamented the loss of life on Friday and expressed concerns about the on-

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Plague Scare Takes Heavy Economic Toll

By Barry James

International Herald Tribune

The Indian plague scare reached Britain on Friday, and the economic impact of the epidemic escalated with the suspension of many trade and air links.

In Britain, which has a large population from the region where the plague has hit hardest, Gujarat, at least eight people who had visited India were tested after they developed flu-like symptoms consistent with pneumonic plague. But they all were pronounced free of the disease after blood and sputum tests.

The government's chief medical officer, Kenneth Calman, said that the result "illustrates our surveillance measures are working," and added there was no cause for alarm.

In India, the government acknowledged its first plague deaths in New Delhi on Friday. In all, about 50 people have died, in a country of 900 million.

India's foreign trade, which had been reaping the benefits of economic liberalization, was taking an increasingly severe hammering because of the plague scare.

The country's \$3 billion annual trade with the Gulf came to a halt after the region suspended all air and shipping links. The United Arab Emirates, where about 400,000 Indians live and work, stepped up the precautions on Friday by suspending postal service with India and denying visas to Indian citizens.

With air links cut off, about half the Air-India fleet was grounded. The carrier's managing director said 7,200 incoming and 4,200 outgoing passengers had been stranded by the Gulf ban, affecting about 100 flights each week. Bombay's Sahar airport, which normally handles up to 12,000 passengers a day, was virtually de-

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East Europe's New Divide: Haves and Have-Nots

By Craig Whitney

New York Times Service

BUDAPEST — The sleek new international air terminal here is filled with tourists and business investors flashing passports at border guards who sit behind high-tech glass booths, watching as the travelers breeze past customs with a wave.

Only an hour's flying time to the east, at the dilapidated Borispol Airport in Kiev, weary passengers line up to buy a piece of paper entitling them to stand in another line to buy a visa. Then they wait in still a third line to appear before cell-like booths containing immigration inspectors trained by the KGB, who then turn them out to face a garnet of customs forms and suitcase searches. The whole process routinely takes two hours, just like in the old Communist days.

Five years have passed since communism disintegrated in Eastern Europe, when Hungary began dis-

manting the Iron Curtain on its Austrian border and Poland held its first free elections since World War II. Soon afterward, thousands of East Germans began streaming through the Berlin Wall. Czechs and Slovaks massed in Prague's Wenceslas Square and forced their Communist leaders to resign, and Romanians rose up against a brutal dictatorship.

During the next two years, Moscow's hold over the former Soviet Union weakened, until at the end of 1991 it was dissolved and its former constituent republics became independent.

But since the heady days in late 1989, the Iron Curtain has been replaced by a new and less visible divide between haves and have-nots in the formerly Communist world, with very different visions of the future.

On one side are Hungary, Poland and the Czech Republic, eager to join the community of capitalist Western democracies. With strong rates of economic

growth and an almost palpable sense of self-confidence, all seem to be on a fast track to making it.

On the other side, Ukraine, Romania and Bulgaria are not sure where their destinies lie, and seem stuck in a sort of post-Communist twilight zone, falling further behind economically with every passing year.

But even in the fast-track countries, there has been frustration and disappointment. A New York Times poll on hopes and attitudes conducted this summer in the Czech Republic, Hungary and Poland found that people were confronting their new freedom with some trepidation. Much of their reaction has to do with economic uncertainty.

Except for East Germany, which has been getting about \$100 billion a year since reunification with West Germany in 1990, the prosperous West offered nothing like the Marshall Plan to help formerly Commu-

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In East Asia's Expansion, Pollution Outpaces Wealth

By Michael Richardson

International Herald Tribune

SINGAPORE — In the race to get rich and catch up with the West, many East Asian countries have become so preoccupied with economic growth that they seem to have forgotten what it will cost to clean up the mess their industries, transport and power plants are making.

Never has a region of the world expanded so quickly, telescoping into decades a process of massive population increase, industrialization and urbanization that took a century or more in the West.

Scientists and economists warn that the speed and scale of East Asia's transformation are putting unsustainable strains on its vital natural resources.

They say that worsening air and water pollution, the widespread destruction of tropical forests and water catchment areas, and soil degradation are undermining the resource base for fast economic expansion.

"What we're seeing in Asia is exponential growth in pollution, traffic and toxic wastes," said Carter Brandon, an economist in the environment and natural resources division of the World Bank in Washington.

"While East Asian economies are doubling every 10 years or so, pollution, energy use and the number of vehicles on the road are increasing by factors of 5, 8, or even 10," he said.

Wall-to-wall traffic, serious air and water pollution, and squalid shantytowns are a feature of many East Asian cities.

Some economists estimate that pollution in Bangkok is costing Thailand up to \$3 billion a year in lost productivity and health-care expenses, while urban pollution in South Korea is costing the nation up to \$6 billion annually.

Pollution control, environmental protection and the construction of related services such as sewerage and piped water

Second of two articles

have been given low priority in East Asia, except for Japan, Singapore and, to a lesser extent, Hong Kong and Malaysia.

World Bank officials said, however, that the region's economic growth could provide the technology, skills and financial resources to solve many of the environmental problems.

Mr. Brandon estimated that East Asian countries would need to mobilize an additional \$25 billion a year by the end of the decade to clean up pollution and make economic growth more sustainable.

The bank is pressing regional governments to introduce a combination of tougher regulations and more liberal incentives to encourage industry to install clean technology. It also urges eliminating subsidies on water, electricity and fuels to reduce waste and inefficiency.

Kirk R. Smith, senior fellow in the program of environment at the East-West Center in Hawaii, said that East Asian

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A South Korean environmental activist triumphantly fixed a gas mask to the statue of a 16th century Korean naval hero to protest air pollution in Seoul.

Yeltsin Watchers See Something Amiss

By Alessandra Stanley

New York Times Service

MOSCOW — The Irish prime minister and his wife, along with cabinet officials and their wives, and 100 soldiers and a regimental band stood expectantly on the windswept tarmac of the Shannon airport staring up at the parked presidential plane and waiting for President Boris N. Yeltsin to walk down the ramp.

They waited. And waited. Finally, after 20 minutes, they were told that the Russian leader was too ill to get off his aircraft.

Reporters were told that he was too tired to hold discussions with the Irish government.

But when he arrived in Moscow on Friday, according to Russian television, Mr. Yeltsin denied that he had fallen ill. Instead, he explained, he had fallen asleep, and his guards had neglected to wake him.

"I'm going to tell you the truth,"

sin as telling TV reporters. "The trip lasted 18 hours, and I simply slept. My bodyguards should have awakened me but they didn't."

Almost immediately rumors began circulating that the president, returning from his five-day trip to the United States, might have been too tipsy to go through with his planned stopover. The Irish, however, had been sympathetic.

"It's not an embarrassment," Prime Minister Albert Reynolds said after the situation was explained to him. "Mr. Yeltsin is unwell. I fully understand."

A Russian deputy prime minister, Oleg N. Soskovets, met with Mr. Reynolds in the president's place.

Mr. Yeltsin has a long history of sudden and prolonged absences from public view. He suffers from a bad back as a result of a plane crash in Spain three years ago, and he has high blood pressure. But the disappearance of rumors that he is covering up either a more serious illness or a drinking problem.

In his autobiography, Mr. Yeltsin acknowledged having occasional spells of deep depression. He has never hidden his fondness for vodka, a trait few Russian voters consider a vice.

But Mr. Yeltsin raised more than a few eyebrows with his behavior last month in Germany while there to commemorate the final withdrawal of Russian troops. Russian television showed Mr. Yeltsin stumbling on the steps of the Berlin city hall after a champagne lunch and grabbing the conductor's baton to conduct the orchestra.

Albert Plutnik, a columnist for the newspaper Izvestia, said Mr. Yeltsin's behavior prompted feelings of "acute discomfort, if not shame."

Earlier this week, several of Mr. Yeltsin's aides were dropped from the list of officials accompanying him to the United States, and at least one news organization did not report that it was due to an

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Hockey Season Is Put on Ice For 2 Weeks

The National Hockey League on Friday postponed the start of its 1994-95 season by at least two weeks and urged the players to resume talks on a collective bargaining agreement.

The NHL Players Association said its members would negotiate but would not practice until an agreement was reached.

"It's an owners' lockout, pure and simple," said the executive director of the players union, Bob Goodenow.

The NHL commissioner, Gary Bettman, said in New York that it would be possible to play a full 84-game schedule by beginning the season on Oct. 15, rather than on Saturday, provided there was progress in contract talks. (Page 19)

Kiosk

6 Arab States Ease Boycott of Israel

NEW YORK (AP) — Saudi Arabia and five smaller Arab countries announced a partial lifting of their economic boycott of Israel on Friday and pledged to try to persuade other Arab nations to drop the restrictions entirely. In an action reflecting the growing

trend toward peace in the Middle East, the six members of the Gulf Cooperation Council issued a statement saying they would stop blacklisting U.S. firms that trade with Israel. The council groups Oman, Saudi Arabia, Kuwait, Qatar, Bahrain and the United Arab Emirates.

Art Drawings reveal a modern Poussin at Paris retrospective. Page 7.

Book Review Crossword Page 7. Page 19.

Newsstand Prices

Andorra.....9.00 FF	Luxembourg 60 L.	Fr
Antilles.....11.20 FF	Morocco.....12 Dh	
Comoros.....1.400 CFA	Qatar.....8.00 Rf	
Egypt.....E.P. 5000	Reunion.....11.20 FF	
France.....9.00 FF	Saudi Arabia 3.00 R.	
Gabon.....900 CFA	Senegal.....900 CFA	
Greece.....300 Dr.	Spain.....200 PTAS	
Holy See.....2,000 Lire	Tunisia.....1,000 Din	
Ivory Coast 1,120 CFA	Turkey.....T.L. 35,000	
Jordan.....1 JD	U.A.E.....8.50 Dirh	
Lebanon.....US\$1.50	U.S. Mil. (Eur.) \$1.10	

Dow Jones	Trib Index
Down 11.44	Down 0.66%
3843.19	114.67
The Dollar	Fr. close
New York	1.5501
DM	1.5487
Pound	1.58
Yen	98.16
FF	5.2925
	5.2653

Belgrade's Blockade Is Porous, U.S. Says

Bosnian Serbs Said to Benefit

SEVILLE, Spain — The United States said Friday it believed that Serbia had not fully kept its promise to cut off all supplies to Bosnia's rebel Serbs and that some goods were still getting across the border.

Defense Secretary William J. Perry made the remarks at a news conference following a meeting of defense ministers of the North Atlantic Treaty Organization.

"We have incomplete reports that indicate that that's been partially but not fully complied with," Mr. Perry said, adding, "Certainly not a complete stoppage."

He said President Bill Clinton had discussed the issue with President Boris N. Yeltsin of Russia during their summit meeting in Washington this week and that Russia supported a continued cutoff of supplies from Belgrade.

Serbia, anxious to win relief from United Nations sanctions, promised to block all shipments to the Bosnian Serbs to force them to accept an international peace plan that would end the war.

International monitors have been placed on the border between Serbia and Bosnia to check that only humanitarian supplies get through. Mr. Perry gave no further details.

Arms Effort Sidetracked
Elaine Sciolino of The New York Times reported earlier from the United Nations:

The Clinton administration has decided not to press for a binding Security Council resolution to lift the three-year-old arms embargo on the Bosnian

government, senior administration officials said.

The issue is extremely sensitive, because once again the United States finds itself caught between the Bosnian government, which wants a guarantee that the arms embargo will eventually be lifted, and Washington's allies on the Security Council, who oppose the move because they believe it would widen the war.

To avoid a rupture with Britain and France, Washington intends to seek a symbolic resolution that may assure passage in the Security Council but that falls short of meeting the Bosnians' demands.

In a compromise gesture in his speech to the General Assembly on Tuesday, Alija Izetbegovic, the president of Bosnia's Muslim-led government, said that he would be willing to accept a Security Council resolution to lift the arms embargo but delay it for six months.

Prime Minister Haris Silajdzic of Bosnia said that in a meeting Thursday with Madeleine K. Albright, the chief U.S. representative at the United Nations, he restated his country's demand for a resolution that would go into effect six months from now. But Mrs. Albright was noncommittal, both he and administration officials said.

The administration's decision to frame a resolution according to what the British and French want is consistent with its strategy to allow the Europeans to set the agenda on Bosnia. Washington is limited in how far it can push its allies, because the British and French have troops on the ground and the Americans do not.

NATO Ministers Reject More Rapid Expansion

Compiled by Our Staff From Dispatches
SEVILLE, Spain — Germany's attempts to speed up the pace of adding to NATO's membership in Eastern Europe did not win broad backing at a meeting of the alliance's defense ministers Friday.

Defense Minister Volker Rühe, opening a discussion on the alliance's relations with the former Communist countries, told his colleagues that the North Atlantic Treaty Organization "must soon say who we wish to have in NATO and who not."

Germany believes that NATO should act now to identify the countries — in its view, Poland, Slovakia, the Czech Republic and Hungary — with the best prospects of becoming members so that the modernizing of their military structures can begin as soon as possible.

Mr. Rühe said after the meeting that he had been surprised by the level of support, in principle, for the German stance.

"Enlargement is now seen as inevitable, even by those countries that previously wanted to hit the brakes," he said.

But the U.S. defense secretary, William J. Perry, contradicted that view, indicating that the process of enlargement was not likely to go beyond a very preliminary stage before the end of this year.

He said NATO should concentrate for now on developing the Partnership for Peace scheme, which offers closer military ties to all former Warsaw Pact members, including Russia.

"We're at a very early stage," he said at a news conference. "We have certainly not specified who or when, and we're not likely to in the near future."

The Netherlands also said it was cautious, and Norway said it wanted to see whether Sweden and Finland would be interested in joining NATO.

(AFP, Reuters)



SPECIAL DELIVERY — Postal workers and union members arriving Friday at the prime minister's residence in London with a petition of 1 million signatures of people opposed to the proposed privatization of the post office.

Political Scandal Fuzzes Balladur's Image

By Joseph Fitchett
International Herald Tribune
PARIS — The latest French political scandal might have been simply another episode in a wave of business-related bribes.

They have joined in the complaints that Mr. Balladur has squandered some of the moral high ground inherited by the conservatives because of long-running scandals engulfing their Socialist predecessors.

This week a court started hearing fresh charges against three former Socialist ministers for their failure to halt the distribution of AIDS-tainted blood.

Mr. Longuet, 48, is the head of the small center-right Republican Party, which often supports Mr. Balladur more

the sort that no longer can take for granted in France.

Increasingly, French politicians have to reckon with the risk of public exposure. In the case of Mr. Longuet, evidence against him was leaked, illegally, to the press before it reached the prosecutor's office.

In allowing Mr. Longuet to stay in office despite calls for his resignation, Mr. Balladur appeared to be motivated by a need to accommodate a centrist political faction crucial to his electoral hopes.

Mr. Longuet, 48, is the head of the small center-right Republican Party, which often supports Mr. Balladur more

strongly than his own neo-Gaullist party. Its basic loyalties go to Jacques Chirac, the mayor of Paris and the closest challenger to Mr. Balladur in public opinion polls.

That could damage two other leaders of the party who are cabinet government ministers, Defense Secretary François Léotard and Economic Development Minister Alain Madelin, and cripple Mr. Balladur's electoral strategy.

All these cases belong to a wave of exposures by the French judiciary that has started to engulf the governing conservatives in recent months.

French news organizations said Friday that the investigation into Mr. Longuet has expanded beyond his villa and uncovered illegal funding for his Republican Party.

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Fabius Is Named in Tainted Blood Case

PARIS — Laurent Fabius, the former Socialist prime minister of France, was placed under investigation Friday as a possible accomplice to poisoning in a test of whether the government can be held responsible for AIDS-tainted blood transfusions.

The move stems from the 1985 scandal in which half of France's 2,500 hemophiliacs were infected with the AIDS virus by transfusions from state blood banks. More than 400 of them have died from the tainted transfusions.

Mr. Fabius, 48, whom the victims of contamination accuse of stalling in introducing tests for blood donations when he was prime minister from 1984 to 1986, denied the guilt as he left the courthouse. "I made the decision that was needed," he said.

Mr. Fabius is the highest-ranking former official to be involved in the emotionally charged scandal. A similar investigation was opened earlier this week concerning his former ministers of social affairs, Georgina Dufoix, and health, Edmond Hervé.

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Polio Is Declared Eradicated in Americas

By Marlene Cimons
Los Angeles Times Service

WASHINGTON — Polio, the scourge that killed or paralyzed millions of children worldwide during the first half of the century, has been eradicated from the Western Hemisphere, the World Health Organization has declared.

But 120,000 cases still occur annually in the world, most of them "in the poorest and most politically unstable areas," officials said in a statement.

The achievement in the West "should be a source of pride to all of us, and it shows what can

be done when everybody works together for a common cause for the benefit of mankind," said Dr. Carlyle Guerra de Macedo, director of the Pan American Health Organization, the hemisphere office of WHO.

"Let us now hope that the example set in the Americas is followed by the rest of the world, so that after the year 2000 no child will ever again fall victim to this dreadful disease," he said at a press conference.

Health officials attributed the success to an aggressive and widespread \$540 million immunization campaign begun in the region in 1985.

The last documented case of polio in the Americas was recorded in 1991 in Pichanaki, a village in Peru, in a 3-year-old boy. The last case in the United States occurred in 1979, according to health officials.

The disease has largely declined worldwide, with the sole exception being one region where a 24 percent increase was reported in 1993, particularly in Pakistan and Sudan. China, which reported epidemics of more than 5,000 in 1989 and 1990, has mounted a major immunization program. In 1993, Europe recorded 187 cases, of which 161 occurred in nine of the newly independent states of the former Soviet Union.

Poliomyelitis, or infantile paralysis, is an infectious disease caused by a virus that attacks the central nervous system and can produce paralysis and death by asphyxiation. There are no effective drugs to treat it.

Patients whose respiratory cells have been destroyed usually require a respirator to control breathing. The image of a child in an "iron lung" became a haunting specter in the United States in the early 1950s — particularly 1952, when the country experienced an explosion of thousands of cases.

Fear of infection led parents to take extreme measures. Because outbreaks mostly occurred in the summer, parents often kept children at home when warm weather arrived, or forbade them to play in parks or use public swimming pools. Households with an infected family member were placed under quarantine.

The first effective vaccine against polio was developed by Dr. Jonas Salk in 1954. Salk's vaccine, which was put into widespread use in 1955, was injectable and used killed polio virus to provoke immunity.

Between 1957 and 1959, Dr. Albert Sabin developed an oral vaccine that used a live but weakened virus. The Sabin vaccine was licensed in 1961, and continues to be the most widely used vaccine today.

The disease mostly afflicts young children, although adults also are susceptible. The most famous American stricken was President Franklin D. Roosevelt, who fell ill at the age of 33.

WORLD BRIEFS

New Offers Cited in Nuclear Talks

GENEVA (Reuters) — A senior North Korean official said Friday that his government had made new proposals during a week of high-level talks with the United States on reshaping Pyongyang's nuclear power program.

He refused to give any details of the proposals but said they could help speed negotiations toward an overall deal on the Asian nuclear standoff. U.S. officials said they could not comment on the proposals.

The talks broke off Thursday, although technical experts from the two sides met at working level on Friday and were due to meet again Monday and Tuesday. The higher-level negotiations will resume Wednesday.

Ex-Slovak Leader Barred From Vote

BRATISLAVA, Slovakia (Reuters) — Vladimir Meciar, the former prime minister fighting to make a political comeback, was barred from voting on Friday, and he accused his foes of electoral manipulation.

Mr. Meciar, a flamboyant nationalist, arrived to vote in Slovakia's first parliamentary election since the country split from Czechoslovakia last year, but was turned away because his name was not on the electoral register.

"The Slovak election committee has not allowed me or my family to exercise our citizens' rights," he said at the polling station in Bratislava's city center. "What can you say if they don't put down the leader of the main political party on the list of registered voters?"

Khmer Rouge Say Ambush Kills 24

PHNOM PENH (Reuters) — Khmer Rouge guerrillas claimed Friday to have killed at least 24 members of a government force sent to rescue three Western hostages held by the rebels at a southern mountain base.

Clandestine Khmer Rouge radio, monitored in Phnom Penh, said the government had launched a six-pronged offensive against the rebels' Vime Mountain stronghold in Kampot Province on Sept. 22.

It said that in five days of fighting, the Khmer Rouge and local supporters had "ambushed the invasion forces" from the six directions by detonating mines, bamboo spikes and mobile attacks. Battlefield claims in Cambodia are often exaggerated.

UN Pulls Out Some Rwanda Workers

GOMA, Zaire (Reuters) — UN aid agencies pulled all international staff out of a Rwandan refugee camp in eastern Zaire on Friday after bandits among the refugees took control of the camp and threatened the workers.

Lyndall Sachs, a spokeswoman for the office of the UN High Commissioner for Refugees, said 80 to 90 international aid workers had left Katala camp, 50 kilometers north of the border town of Goma. The agency estimated that 270,000 Rwandans lived in the sprawling camp.

She said that bandits had taken control of the camp and had "made personal threats against seven individuals named aid workers." She added that all the workers had been "withdrawn indefinitely until the situation can be resolved."

Milan Apartment Blast Kills at Least 6

MILAN (Reuters) — An explosion tore apart an apartment building near the center of Milan on Friday, killing at least six people and injuring 12, the police said.

Rescue workers dug through the rubble with their bare hands, fearing more victims might be buried beneath the tons of debris. "There was almost certainly an explosion on the fifth floor," said Biaggio Longo, a local utility official. "Perhaps someone left the gas on there," he added.

7 Die as Russian Cargo Plane Falts

MOSCOW (AP) — An overloaded cargo plane carrying 19 people and 6 tons of vegetables crashed Friday while trying to take off from an airport in Russia's Far East, the authorities said. Seven people were killed.

The twin-engine turboprop Antonov-8 was unable to get off the ground at Chabukha airport in the Khabarovsk region and plunged into a pit, said a spokesman for the Russian Ministry for Emergency Situations.

TRAVEL UPDATE

Sunken Greenpeace Vessel Lives On

AUCKLAND, New Zealand (AFP) — The Greenpeace ship Rainbow Warrior, the center of world attention when French secret agents blew it up in 1985, has been transformed by nature into a "living reef" that has become a tourist attraction, a magazine report says.

The ship had been due to sail from Auckland on July 10, 1985, to the French nuclear test site of Mururoa Atoll when French agents planted limpet mines on it, tearing a large gash in its hull and killing a photographer. Paris eventually apologized and paid compensation. The Rainbow Warrior was sunk in 1987 in 22 meters of water near the Cavalli Islands, an isolated spot north of here.

Now the monthly New Zealand Geographic says the vessel has turned into "a living reef where new life springs from old in a kaleidoscope of color." The wreck has become Cavalli a popular tourist attraction. At peak times there can be 60 divers on the ship.

Norwegian unions and employers at Scandinavian Airlines System agreed on a wage contract Friday, ending an airport staff walkout that had grounded most domestic and international flights in Norway since Wednesday, the carrier said.

For 10 weeks beginning Oct. 10, KLM, marking 75 years of existence, will offer discounts of up to 60 percent to three destinations, one within Europe and two elsewhere. (Bloomberg)

London Closes Star Station

LONDON — London's Underground rail system said Friday that Aldwych station, used regularly by filmmakers as a location, was being closed for good.

"It's the end of the line for the Aldwych," said a spokesman for London Underground. "We're looking for a suitable alternative for moviemakers."

The station, where "Battle of Britain" and "Superman IV" were filmed, has fallen victim to a decline in passenger numbers and the need to replace outdated equipment, particularly the elevator, which dates back to 1907.

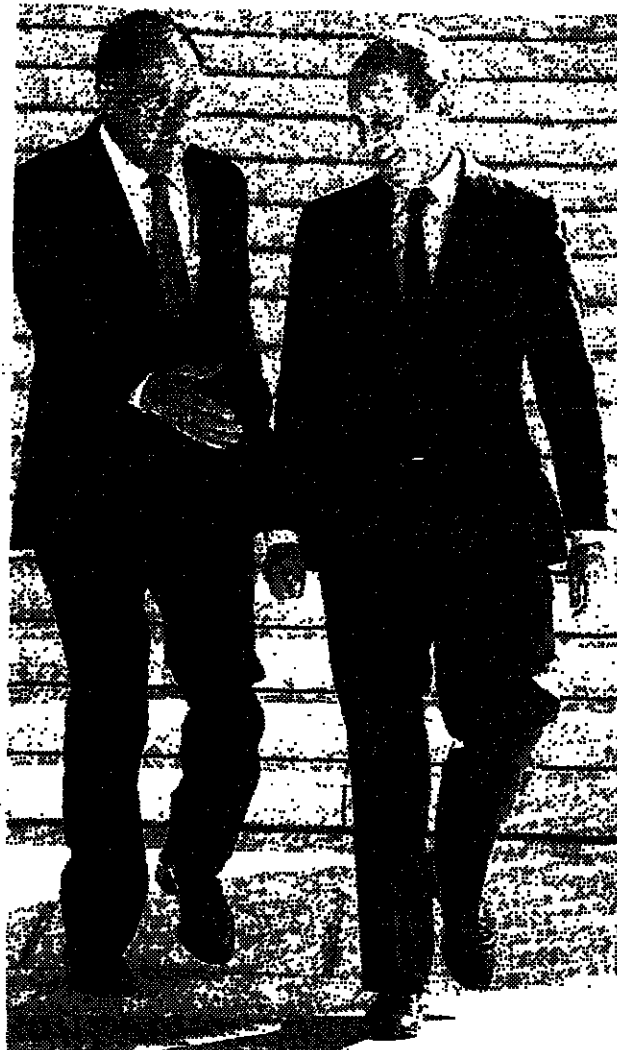
Officials said commuters would be adequately served in the area around Aldwych, near central London's Covent Garden shopping area, by buses and other nearby Underground stations.

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THE AMERICAS / MONEY

★ POLITICAL NOTES ★



Chief Justice William H. Rehnquist, left, and Stephen G. Breyer, the Supreme Court's newest justice, outside the court after Justice Breyer's investiture Friday.

Mining Bill Is Undermined in Congress

WASHINGTON — Congress has abandoned efforts to rewrite a 19th-century mining law, yielding to the mining industry's resistance to paying taxes on the metals it takes from public lands.

Negotiators from the House and Senate dropped the attempt to revise the law after House members, who had agreed in recent weeks to some changes demanded by pro-mining senators, said they would compromise no further.

Although lawmakers said the battle would be renewed next year, the failure to change the law this year was a major defeat for the Clinton administration and its environmentalist allies. It is a pattern that is becoming familiar in this Congress, in which a combination of partisan maneuvering and parochial interests have stalled much action.

Overhauling the mining law, enacted in 1872 to encourage prospecting in the Old West, had been one of the main legislative goals of Interior Secretary Bruce Babbitt, the administration's leading champion of changing the management of natural resources on federal lands.

Environmental organizations have lobbied for years to change the mining law. But the tax money the new bill would raise is not their real objective; they are looking for a way to stop the damage to the environment that comes with mining. The environmental advocates had hoped to prevail more easily on mining than on other parts of their agenda, because their public opinion polls showed that most people think miners should pay for access to gold, copper and other such minerals on public lands, as they do for coal and oil.

The proposed changes in the mining law have overwhelming support in the House, which last year passed a bill favored by environmentalists. The Senate, where lawmakers from the West have power out of proportion to the region's population, enacted a measure that did not make major changes.

Senators knew that the real fight would eventually come in the conference committee. But a minority group of senators, in the end, stymied the conferees.

The debate over mining recapitulated the drama last year over grazing fees on public lands, when some of the same Western senators talked to death changes favored by the administration. This time, they made it clear that unless their demands were met on mining, they would tie up the weary Senate in endless debate at a time when it wants nothing more than to adjourn.

Mr. Babbitt said, "Process and special interests killed the bill." (NYT)

James Baker Looks at '96 — for Himself

JERUSALEM — James A. Baker 3d, the former U.S. secretary of state, said on Israeli television Friday that he was considering running for president in 1996.

"I am thinking about it," Mr. Baker, a Republican, said when asked if he was considering running for president, adding that it was too early for a decision. "I haven't ruled it out but I haven't ruled it in," he said. "I've run five presidential campaigns. I think I know the job."

As secretary of state in the Bush administration, Mr. Baker set in motion Middle East peace talks between Israel and Syria, Lebanon, Jordan and the Palestinians.

Quote/Unquote

Representative Fred Grandy, Republican of Iowa, on the "Contract With America" pledge signed by more than 300 Republican congressional candidates this week. The pledge simultaneously promises massive tax relief and economic incentives, more defense spending and a balanced budget, all before the turn of the century. "If I were a Democrat in a closely contested district, I'd be in church right now giving thanks. The one thing we've nailed Clinton on has been his propensity to overpromise and to underdeliver, and here we are doing the same thing." (WP)

Away From Politics

• The space shuttle Endeavor lifted off from Cape Canaveral, Florida, with six astronauts on a mission to survey Earth's environment with advanced civilian radar equipment.

• Responding to rising criticism from veterans, the Smithsonian Institution's National Air and Space Museum in Washington is overhauling its planned Enola Gay exhibit. The forward section of the plane that dropped the atomic bomb on Hiroshima will remain a central feature, but much else will be changed in the exhibit, which some critics believed would have treated the Japanese too gently.

• Workers at the Savannah River nuclear weapons plant in Aiken, South Carolina, began unloading a five-car train of European nuclear waste, and state officials promised to try to keep out future shipments. South Carolina had sued unsuccessfully to keep the spent nuclear fuel rods from entering the state.

• Tens of thousands of undocumented immigrants across the United States will find it easier to receive "green cards" under a new law that goes into effect Saturday. The mea-

sure allows illegal immigrants eligible for the cards to adjust their status in the United States rather than returning home to complete the paperwork.

• The first phase of jury selection in the O.J. Simpson murder case has ended in Los Angeles with the addition of 48 more potential jurors, bringing the final pool to 304, from which 12 will be chosen.

• Dark scars left in the cloud tops of Jupiter by the comet Shoemaker-Levy 9 this summer are slowly fading, and scientists now believe all traces will disappear within a year.

• A sweeping overhaul of the United States' anti-cancer campaign has been recommended by a federal advisory panel. The group predicted that at its present course, cancer would surpass heart disease as the nation's leading killer within five years.

• The Pacific island of Palau becomes independent from the United States on Saturday, under an agreement that changes a relationship forged after World War II. The United States will continue to be responsible for its defense.

Reuters, AP, LAT, WP

Republican Delays Sink Bill on Campaign Financing

WASHINGTON — The Senate killed a campaign finance reform bill on Friday, leaving a rewrite of lobbying and gift rules as this Congress's only major achievement on what had been an ambitious Democratic agenda.

The 52-to-46 vote on campaign financing fell short of the 60 votes needed to cut short Republican delaying tactics.

The bill's chief sponsor, Senator David Boren, Democrat of Oklahoma, said the vote killed the bill's chances in the waning days of the 103rd Congress.

Senator Mitch McConnell, a Republican of Kentucky who led the opposition, said, "This is the kind of bill that gives gridlock a good name."

Mrs. Clinton Is Down but Not Out on Health Care

By Ruth Marcus

Washington Post Service

WASHINGTON — For those who suspected that she had surrendered in the battle over health care reform and would quietly withdraw from prominence on the issue, Hillary Rodham Clinton has a pointed message: Don't count her out.

"Health care reform is not a boxing match that goes 15 rounds and suddenly it's over," Mrs. Clinton told a group of George Washington University medical students Thursday. "It is a journey — sometimes a rocky one — but nevertheless a journey that we must keep making together."

More than for any other person in the Clinton administration, the health care journey has been particularly rocky for the Mrs. Clinton, whose complicated medical plan never came close to succeeding.

Along the way, she lost her reputation as the administration's most savvy politician. Now she is at a crossroads in her personal odyssey, moving on to define what her role will be for the next two years.

This week, she played the traditional First Lady role, talking "food and flowers and children and husbands" with Naina Yeltsin. But friends and colleagues say that Mrs. Clinton is not about to transform herself into Barbara Bush.

They sketch out a role that may turn out to be more like Eleanor Roosevelt's, more public ambassador — traveling the country to ensure that voices from the real world are heard in the policy councils of Washington — than inside-the-Beltway legislative mastermind.

It is all still very much a work in progress. Health care, part of her focus on families and children, "is a continuing theme for her and her advocacy," said Mrs. Clinton's chief of staff, Margaret A. Williams. "We don't know exactly yet what form it's going to take."

As the medical care debate moves into a different phase — from developing a reform plan to making the difficult legislative calculation about what can be salvaged in the next Congress — Mrs. Clinton's role will necessarily be different, White House officials suggest.

For the next several months, however, she will turn her attention from health care to other matters, including entertaining foreign visitors, handling the traditional White House holiday duties and campaigning for Democratic candidates. This weekend she will stump in Florida for her brother, Hugh Rodham, who is running for the Senate.

This has been a difficult 20 months for Mrs. Clinton. In her work on health care, she has been praised as a brilliant public ambassador and a dazzlingly effective messenger to Capitol Hill, but she has also been burned in effigy, vilified as the architect of a secretly crafted and dangerously bureaucratic plan, and personally identified with the administration's most searing legislative defeat.

"I make no apologies for killing this turkey of a bill in the last moments of this Congress," he added.

He also predicted that the new Congress, expected to be more conservative, would not spend any time on the issue.

The Senate majority leader, George Mitchell of Maine, sharply attacked Republicans for blocking the bill, accusing them of trying to tear down Congress "so they can inherit the rubble."

The current campaign-money system "stinks," he added. "The public believes that money dominates the American political system, and that those who give the money have a disproportionate influence."

House Speaker Thomas S. Foley, Democrat of

Washington, called the Republicans' blocking efforts "the worst case of obstruction by filibuster by any party that I've ever seen in my 30 years in Congress."

Supporters had been pushing the campaign finance bill for 12 years. Its failure left a rewrite of lobbying laws as the only major remaining piece of the Democratic list.

On Thursday, the House passed the lobby bill after an acrimonious debate. It would shut down one of Washington's oldest, and most caricatured, institutions: the high-priced lobbyist lunch.

The ban on meals and other gifts for lawmakers was part of a revamping of federal laws

covering how lobbyists register and report their activities.

The rewriting of campaign financing laws had been delayed for a year because of a dispute between House and Senate Democrats over how much political action committees should be permitted to give candidates.

Earlier in the week, Democrats resolved their internal debate by setting the giving limit for political action committees at \$6,000 per election cycle.

Other parts of the bill would have established a system of voluntary spending limits and rewarded candidates who abided by them with cut-rate TV time, reduced mailing rates and federal matching money.

Ex-U.S. Agent Calls Colombia a 'Narco-Democracy'

Compiled by Our Staff From Dispatches

BOGOTA — Drug traffickers financed President Ernesto Samper Pizano's election campaign and wield such power over Colombia that they have turned the country into a "narco-democracy," the top U.S. anti-drug agent in Colombia said the day after his retirement.

The official, Joe Toft, who headed the Drug Enforcement Agency office in Bogotá for six years until his retirement, stepped out of the shadows to grant his first interview to a local television news program Thursday. It was the first time he had spoken publicly.

Mr. Toft told QAP News that his intelligence information left him in no doubt that cocaine kingpins paid hefty sums into Mr. Samper's campaign, and he accused local politicians of lacking the will to fight drug bosses. "I really think the narco-democracy has already arrived in Colombia," he said in Spanish in the interview, recorded just before he caught a flight to

the United States. "I know the term doesn't please Colombians when they hear it, but it's real, it's very real."

"I can't think of any institution in this country which I know, and which has something to do with judicial or political influence, which doesn't have problems of penetration by drug traffickers," Mr. Toft added.

Mr. Toft also criticized former President César Gaviria Trujillo — now secretary-general of the Organization of American States — for alleged permissiveness toward Pablo Escobar Gaviria, the kingpin of the Medellín cocaine ring, while Mr. Escobar was imprisoned in 1991 and 1992.

He said Mr. Gaviria knew full well for several months that Mr. Escobar was trafficking and ordering murders from his cell but failed to do anything about it. Mr. Escobar was shot and killed by police in December 1993.

Colombia is the world's largest producer of cocaine, and its drug rings control more than 70 percent of its

The interview provoked a furious reaction from the Colombian government, which demanded an immediate explanation for Mr. Toft's remarks from the U.S. ambassador, Myles Frechette.

"Joseph Toft has offended national dignity," the statement said, adding that the government "will not accept under any circumstances" that a former U.S. official "denigrate a whole nation which has paid the highest sacrifices in the war on drugs."

Mr. Frechette issued a hasty statement that Mr. Toft's views were not shared by the U.S. government.

"Mr. Toft no longer works for the U.S. government," he said. "I sincerely regret that Mr. Toft decided to personally attack Colombia after six and a half years service in this country."

Diplomats in Bogotá, however, have made clear in private their misgivings about the Samper government ever since a mysterious cassette surfaced in June containing conversa-

tions between drug bosses about a big donation.

Mr. Samper has acknowledged that the Cali drug ring offered his campaign \$3.6 million but vigorously denies that the cash was accepted. An investigation by the prosecutor's office found no evidence that the money had entered the campaign.

Anti-drug agents also charge that no serious efforts are being made to find and capture Cali kingpins and add that every one of their operations in the city has been compromised by leaks of information to the traffickers.

Mr. Toft said the drug barons played a key role in having the new Colombian Constitution ban the extradition of Colombian drug traffickers sought by foreign governments.

Mr. Toft said the Cali drug ring was just as violent as its late rival in Medellín, and that even if its reputed leader, Gilbert Rodríguez, were to be arrested, his money and influence would keep him out of jail. (Reuters, AFP)

Mexico Legislator's Aide Is Linked to Assassination

Reuters

MEXICO CITY — The man accused of hiring the suspected killer of a senior Mexican politician this week is the assistant of a governing party legislator in Congress, officials said Friday.

A spokesman for the Federal Chamber of Deputies said the suspect, Fernando Rodríguez González, is the personal assistant to a legislator, Manuel Muñoz Rocha, who heads a congressional commission on hydraulics works.

Mexico's attorney general said that Mr. Rodríguez, who was questioned by federal police on Friday after being arrested at his Mexico City home, had hired the gunman and another man to murder the secretary-general of the governing Institutional Revolutionary Party, Francisco Ruiz Massieu, on Wednesday.

The link was likely to heighten speculation about who might have ordered Mr. Ruiz Massieu's killing and why.

It was the second murder of a senior governing party leader this year.

On March 23, the party's original presidential candidate, Luis Donaldo Colosio Murrieta, was gunned down at a campaign rally in the northern city of Tijuana.

A Chamber of Deputies spokesman, Ramón García, said Mr. Muñoz Rocha is a deputy from Tamaulipas, reported to be the home state of the three main suspects in the case.

Mr. García said that while Mr. Rodríguez was "a man of confidence" of Mr. Muñoz Rocha, "that does not mean the deputy is implicated in the murder."

Attempt to Settle Baseball Strike Fails in Congress

WASHINGTON (AP) —

Congress gave up on trying to settle the baseball strike Friday, Senator Howard M. Metzenbaum withdrew legislation to apply antitrust laws to the dispute, which forced cancellation of the World Series for the first time in 90 years.

The bill never appeared likely to pass the Senate, but the Ohio Democrat said he had made the decision to withdraw it after he heard from House sponsors that they would not be able to get their bill to a vote before Congress adjourned for the year. Nevertheless, he admonished his colleagues to keep the pressure on.

"Unless Congress acts, the owners will continue to abuse the players, the cities and the fans," he said. "They don't give a damn. They are arrogant."

The bill would have eliminated baseball's exemption from the federal antitrust laws if the owners unilaterally imposed work rules.

The exemption prevents the players from suing the owners, leading the union to strike in order to prevent management from imposing a salary cap.

It dates from 1922, when the Supreme Court ruled that antitrust laws did not apply to baseball because it was not interstate commerce.

The federal police conducted sweeps Thursday across Tamaulipas, a center of the cocaine trade, to detain people who might be associated with Daniel Aguilar Trevino, the suspected gunman who is in custody.

Another man who accompanied Mr. Aguilar has fled.

Mr. Ruiz Massieu had just left a meeting with legislators of the Institutional Revolutionary Party, or PRI, when he was shot and killed outside a Mexico City hotel.

Mr. Ruiz Massieu, the party's second-ranking leader, had been named to head the party in the next Chamber of Deputies that takes over Nov. 1 and was seen as crucial to pushing through proposed democratic reforms.

His brother, Mario Ruiz Massieu, is deputy attorney general and leads the federal anti-narcotics fight.

The murdered politician also was thought to be a leading candidate for interior minister in the incoming government of Ernesto Zedillo Ponce de León.

who takes office Dec. 1. Attorney General Humberto Benítez said Mr. Aguilar had confessed to killing Mr. Ruiz Massieu and declared he was offered about \$15,000 by Mr. Rodríguez to carry out the assassination.

The pro-government Excidio newspaper reported Friday that Mr. Rodríguez was technical assistant to the commission on waterworks.

The El Financiero newspaper quoted unnamed U.S. intelligence sources saying that the

people who ordered Mr. Ruiz Massieu's death were linked to drug trafficking and were also responsible for Mr. Colosio's death last March.

It added that they may be reacting to a U.S.-Mexican crackdown on money-laundering.

The PRI has ruled Mexico without break since 1929, but the country's image of stability has been battered this year, starting with a violent peasant rebellion in the southern state of Chiapas.

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The Big Nigerian Fiction

Why would Nigeria's military dictators seize the passport of Wole Soyinka, a Nobel laureate in literature and Nigeria's best-known citizen?

It makes little sense. By stopping him at the airport to prevent his attending a conference in Sweden, the junta called fresh attention to Mr. Soyinka's eloquent condemnation of its repressive policies and its jailing of Moshood K.O. Abiola, the winner of last year's canceled election.

Plausibly, Nigeria's generals feared Mr. Soyinka's message more than they fear a brief burst of bad publicity.

Writing in *The Times* on Aug. 22 (HT, Aug. 23), the novelist and essayist countered the argument put forward by the junta to justify voiding the elections: that Nigeria would break up if a candi-

date from the southwest, like Mr. Abiola, ended the North's unbroken grip on power.

In truth, Mr. Soyinka wrote in his *Op-Ed* article, the voting returns "made it abundantly clear that the so-called gulf between the North and the South was an invention, and that there was a line of division in the North — between the workers, peasants, civil servants, petty traders, students and the unemployed on the one hand, and the parasitic elite and feudal scions on the other."

The big Nigerian fiction, in short, is that the officer corps, mainly from the North, is the guardian of national unity and honor. In trying to silence Mr. Soyinka, these jittery soldiers only manage to confirm the validity of his indictment.

—THE NEW YORK TIMES

Wrist-Slapping at the CIA

Surely Congress has had enough of evasion and self-protection from the CIA. Yet there was the CIA's director, James Woolsey, telling the House Intelligence Committee on Wednesday that he had let those responsible for one of the agency's worst security disasters off lightly because it was all the fault of some vague "systemic failure."

Not one of those who allowed Aldrich Ames to hold a variety of sensitive posts while spying for Moscow was fired or demoted. Mr. Woolsey's failure to clean house underscores the need for an independent commission to examine the CIA and other intelligence agencies and to rethink their roles. The CIA itself is clearly incapable of the job.

In his go-easy-on-the-culprits crack-down, Mr. Woolsey sent letters of reprimand to 11 officials touched by the Ames case. Six had already retired and one is about to. The four that remain may simply have their next promotions delayed. Such high-level officials as Ted Price, director of clandestine operations, and Burton Gerber, deputy inspector general, will keep their jobs.

So now the same slubby culture that was blamed for letting Mr. Ames flourish at the CIA despite obvious signs of his deceit and unreliability has shown leniency toward his negligent superiors. Senator Dennis DeConcini, chairman of the Select Committee on Intelligence, is right that it will take "dramatic reorganization to change the culture, the good old boys' club" that promoted Mr. Ames and gave him sensitive posts.

The best hope for a thorough review lies with a new commission being established by Congress. But with the White House hesitant and the CIA downright hostile, it is disconcerting to learn that Senator John Warner, who first conceived of the commission as a way to blunt criticism of the CIA, remains confident it would not

"slash and burn" the agency. Some slashing may be just what's needed, as Mr. DeConcini's comments suggest.

Disbanding the agency is not realistically on the agenda. If the United States did not have a CIA it would have to invent one — to coordinate intelligence-gathering and analysis and perform more disinterested assessments than the armed services and the State Department.

However, the commission could usefully assess not only the agency's internal culture but also what changes are needed in its missions now that the Cold War is over. That will require looking at the entire intelligence apparatus. The CIA's \$3-billion budget is but a fraction of the \$28 billion a year the United States spends on intelligence.

Rival agencies do almost everything the CIA does. The State and Defense departments collect and assess intelligence. The armed services run covert operations. The FBI has expanded its role in counterintelligence. Other agencies operate spy satellites and process what they photograph and overhear. That makes a turf war likely. But if the commission merely redraws bureaucratic boundaries, it will have failed.

The commission needs to reorient U.S. intelligence for the next century by answering basic questions: Should the United States spend more on spies or rely primarily on open sources like press reports and broadcasts? Does it need all the spy satellites it now has? Should the State Department be given responsibility for political and economic assessments? Could these tasks be farmed out to think tanks and academic contractors? Does the United States need all the covert operatives it now has?

And the commission should start with the premise that the U.S. intelligence agencies need correction, not coddling.

—THE NEW YORK TIMES

A Long List of Suspects

It was never going to be easy to get incumbent members of the U.S. Congress to alter a system of paying for political campaigns under which they, after all, had done rather well. But only Luigi Pirandello or Samuel Beckett could have conceived a script as absurd as the one now being written. And only Agatha Christie could have produced as long a list of possible suspects for the role of killer of reform. If campaign finance reform dies, there will be many fingerprints on the murder weapon.

It is close to death now. House and Senate Democrats have just reached a compromise that they hoped would satisfy a handful of Senate Republicans whose help is needed to rescue the bill from death by filibuster. But even these Republicans may not be enough. The Democrats were undermined by defections from their own ranks.

Democrats will try to blame Republicans if the bill does die, and it is quite true that the vast majority of Republicans have (1) opposed any campaign reform bill that included public financing provisions and (2) been willing to be obstructionist on this as on so many other issues at the end of a miserable session.

But matters did not have to reach this point, and Democrats, particularly in the House, are to blame. Possible compro-

mises have been available for months. Negotiations completed much earlier could have saved this legislation from the netherworld of end-of-session politics. But many Democratic incumbents used delay to strangle a bill they did not like, since it would have given challengers at least a modest chance to make their case to the voters.

The irony is that campaign reform appears to be dying at the moment when many incumbents — especially the dilatory among the Democrats — have realized that they could use it to tell a disgruntled electorate that they understand its desire for institutional change.

It is also unfortunate that opponents of the bill (many of them ardent users of taxpayer-financed franked mailings) are trying to argue against any kind of public financing of political campaigns as "food stamps for politicians." The fact is that, despite some problems, public financing of presidential campaigns has worked rather well in cleaning up what were once real abuses in the election process. Limiting public financing in congressional elections could create a fairer, cleaner system. We still hope a miracle might come along to let that happen. If it doesn't, Democrats and Republicans alike will bear responsibility for failure.

—THE WASHINGTON POST

Other Comment

The Haitian Precedent

Will President Bill Clinton's Haitian adventure inspire imitations? President Boris Yeltsin hints that it might. At the UN, Mr. Yeltsin seemed vaguely to suggest that Russian troops might justifiably be sent to any of the independent republics that comprised the former Soviet

Union if there were a need for peacekeeping, protection of Russian security or protection of Russian minorities.

The American military occupation of Haiti, justified by only a remote connection to U.S. security, makes it difficult to argue credibly against similar acts in the former Soviet Union.

—The Daily News (Los Angeles)

Success in Haiti: Why Knock It?

By Anthony Lewis

WASHINGTON — When the United States carries out a military operation abroad effectively, safely and for a good end, why can't more Americans take pride in it? The question is raised by some of the public response to the Haiti mission. Many politicians and other critics condemned it at the start, and they are still bewailing it. You might think that American soldiers were doing terrible things, and being killed in large numbers.

The fact is that the mission has been amazingly successful. More than 15,000 U.S. soldiers have landed without a single combat death. Haitians — almost all of them — are cheering the troops.

In terms of military efficiency, the Haiti mission is far superior to the last two U.S. operations in the Western Hemisphere. In Grenada, the command structure was badly confused. In Panama, excessive force led to the bombing and unnecessary destruction of a dense housing area.

The objective of the Haiti mission, to undo the military's seizure of power and restore President Jean-Bertrand Aristide and elected members of Parliament, is an honorable one. And it is on the way to being carried out.

For one day, mistaken orders had U.S. forces standing by while old-regime thugs beat people up. But since then American soldiers have limited such atrocities.

The Haiti operation has even won qualified praise from a tough critic, Owen Harries, editor of the conservative magazine *The National Interest*. Writing in *The New Republic*, he mentions past faults in U.S. policy and future concerns. Then he writes: "But a particularly nasty dictatorship is in the process of being removed; there has as yet been no loss of American lives; and there is emerging at least a chance to test whether the phrase 'a democratic process in Haiti' is an oxymoron."

Of course there are hard problems ahead in Haiti. There is the danger of violence, such as the explosive device that killed at least five civilians. The proposal for amnesty of the Haitian officers and civilian "attachés" who killed and tortured so many raises painful questions of definition and of the willingness to forgive.

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"We won't take vengeance," one Haitian in a happy crowd told an American reporter, "because Father Aristide told us not to." Can Father Aristide maintain that degree of forbearance? Can he be a Nelson Mandela?

But the prospects for some kind of decency in Haiti are undoubtedly better because of the American mission. So the question is why all the carping.

One reason is politics. Many Republicans are out to destroy Bill Clinton's presidency and hence will try to undermine anything he does and deny him credit for successes. Some, on the extreme right, really favor Haiti's military and do not want its elected president back in office.

The more troubling element in criticism of the Haiti mission is, I think, a general public disinclination to send American forces anywhere abroad. There is a marked strain of neoisolationism in American attitudes these days.

Owen Harries says in his article that Mr. Clinton's foreign policy, for all its fumbling, is right in seeking "a sense of realism." He says that euphoria after winning the Cold War raised the danger of too visionary a policy: the empty



rhetoric of George Bush's "new world order," for example.

Yes, realism is wise, now as always in American policy. But there is less danger of visionary overactivity these days than there is of the United States shrinking from its proper role in the world. A good many of America's allies are worried about the latter.

Some Republicans in Congress are pushing legislation to force the immediate withdrawal of all U.S. forces from Haiti. Just imagine what that would do to America's reputation in the world. When the ship *Harlan County* and its American trainers turned ignominiously away from Haiti a

year ago after thugs demonstrated on the docks, Asian leaders openly mocked the United States. To give up the Haiti mission now would be far worse.

There were legitimate reasons to question the Clinton policy before the landing in Haiti, among them the failure to build public and congressional support. (But an opinion by Assistant Attorney General Walter Dellinger argues convincingly that Mr. Clinton drew congressional authority by complying with terms of the Defense Appropriation Act on Haiti.) Now, it is time for pride at a job being done well.

The New York Times

A Summit Unsettled by the Faint Sound of Termites Boring Within

By Jim Hoagland

WASHINGTON — Behind the facade of smiles and bear hugs exchanged by Bill Clinton and Boris Yeltsin the termites of doubt have started to bore into the structure of U.S.-Russian relations.

The relationship is still outwardly solid. The warm feelings between the two energetic, extroverted presidents buttress it. The muted discussions on Bosnia during Mr. Yeltsin's state visit, which ended Thursday, bear witness to the willingness of both leaders to limit the damage that disagreements can inflict on the most important political partnership in the world.

But Mr. Yeltsin and Mr. Clinton today resemble a couple who find they do not have time just for themselves anymore, although neither has made a conscious decision to lessen the commitment. In policy terms, the absolute priority once given the Washington-Moscow romance by each capital is now crowded out by other more "urgent" affairs of state.

Haiti has to be dealt with now, Yeltsin visit or no. Russia has to honor its arms contracts with Iran, even if that causes heartburn in Washington. Both agree that a new international system of restricting export of arms and high technology to dangerous countries is a good idea. But they disagree on which countries are dangerous.

Not surprising, and not particularly disturbing. Both America and Russia are

global powers with distinct and at times diverging interests. The differences that surfaced in Washington do not spell a renewal of strategic confrontation.

But there is a growing area of doubt and misunderstanding over each other's intentions that will eat away at this crucial relationship over time if that doubt is not addressed honestly and resolved.

The doubt is largely a matter of Russian self-doubt. The depth and strength of the need of Boris Yeltsin's Russia to be treated like a great power, even if (or perhaps because) that is not true, did not seem to register with the Americans this time as clearly as in past summits. That, at least, is the impression carried away from Washington by Mr. Yeltsin and his able foreign minister, Andrei Kozyrev.

Unlike their Soviet predecessors, the Russian leaders who came to Washington made no effort to exploit the landing of U.S. troops in Haiti for global propaganda purposes. Mr. Kozyrev was upset by Haiti — but only because it exemplifies a double standard that he thinks Washington is applying to Russia.

A senior Russian official says Mr. Kozyrev was chagrined to see Secretary of State Warren Christopher go from the

summit meeting to the United Nations to seek approval and financing for a 6,000-person peacekeeping force that would replace American forces in Haiti next spring. In principle, that arrangement is fine with Mr. Kozyrev — so fine that he wants the same arrangement blessed by the United Nations for Russia's rebellious neighbor to the south, Georgia.

But the United States opposes the United Nations paying for a Russian-dominated force in Georgia, despite widespread impressions that Mr. Christopher and Mr. Kozyrev had struck a deal last summer when the Russians agreed to vote for a Security Council resolution that authorized American military action in Haiti.

American officials deny there was a deal on peacekeeping in Georgia and cite good reasons why the United States will not go along with the Russian proposals. They omit the kind of reassuring music that would have gone with such lyrics a year ago.

The same all-words, no-music approach surfaces in American pressure on Russia to halt arms deliveries to Iran. The Russians argue that Saudi Arabia, a major American arms client, is as active in spreading Islamic fundamentalism abroad as Iran. Russians recall that the Saudis financed the fundamentalist forces of the Afghanist

troops and still support fundamentalist movements in Central Asia.

Yet America will not accept international restrictions on the transfer of U.S. arms to Saudi Arabia. Mr. Clinton's strong demand for an informal arms embargo on Iran will be difficult for Mr. Kozyrev to explain to Russian public opinion.

Mr. Yeltsin and Mr. Kozyrev made it clear to the Americans they met that they still desperately want Russia to be integrated into the institutions of the West — the General Agreement on Tariffs and Trade, NATO, the International Monetary Fund, the Group of Seven, the new Cocom, et al. They have staked their careers on pursuing this integration. But they become frustrated — "alienated" is their own word — as the road to integration proves to be longer and rockier than they had hoped.

This summit left the Russian side unsettled and wondering if the Clinton administration understands the depth of Mr. Yeltsin's political problems at home — or, alternatively, if the Clintonites have decided that those problems are so serious that Mr. Yeltsin's future is no longer worth a strong American push. Both suspicions are exaggerated. But in them is the silent music of termites boring within, not the lush strings of big-power romance and a new era of global harmony.

The Washington Post

You May Not Like It, Europe, but This Asian Medicine Could Help

By Kishore Mahbubani

SINGAPORE — While the Sgums are almost silent in East Asia, Europe is surrounded by conflict. This "ring of fire" stretches from Algeria across North Africa, then reaches its climax in the vicious fighting in Bosnia. From the violence in Georgia to the explosions waiting to happen in Kosovo, Macedonia and Albania, more lives are lost daily on the periphery of Europe than in the entire Asia-Pacific region, with its much larger population.

This is not an accident. It is a result of the strategic incoherence in Europe's approach to its immediate environment. East Asia, meanwhile, is making relatively sound strategic decisions.

There are several flawed elements in Europe's policies. The first is the belief that Europe can secure peace for itself by concentrating on internal unification and detaching itself from its periphery. To an observer from East Asia, these efforts — whether on deepening unification through the Maastricht treaty or widening unification by including "similar" European countries — seem akin to rearranging living room

furniture while flood water is coming in under the door.

It is puzzling that Europe is trying to draw up its ramparts, cutting off its neighbors from its growth and prosperity. By contrast, the strategic impulse in East Asia is to draw all societies into the region's dynamism, starting with Burma and Vietnam and eventually including North Korea.

Europe has no choice but to deal with three big forces on its doorstep which will not go away: Russia, Africa and Islam. The EU has had a marginally successful strategy toward Russia, although questions remain. But Europe's strategy toward Africa and Islam is fundamentally flawed.

In the long view, it might have been a strategic error to admit socially and culturally similar states into the EU ahead of Turkey. This sent a signal that no state in the Islamic world, no matter how secular or modernized, would be admitted into the house of Europe. An opportunity was lost to demonstrate that an Islamic society could cross cultural bound-

aries and become like any other modern European state.

The EU's snub of the Islamic world has been magnified enormously by European passivity in the face of the genocide in Bosnia. Few in the Islamic world (or elsewhere) can believe that Europe would have remained as passive if Muslim artillery shells had been raining down on Christian populations. It does not help that European governments condemn the reversal of democracy in Burma while endorsing a similar reversal in Algeria.

Such double standards are easily shrugged off by cynical, sophisticated Europeans. But they underestimate the enormous price Europe is paying for alienating a force, Islam, that it will have to live with for the next 1,000 years.

A second flaw in European strategy is the assumption that other countries will remake themselves into social models of Europe, that the natural progression of history will lead to all societies becoming liberal democratic and capitalist. For most Europeans,

this assumption was vindicated by the Soviet Union's collapse.

This profound belief in the superiority of the Western idea creates a unique weakness or blindness for Europe — an inability to accept the simple proposition that other cultures or social forms may have equal validity.

A third flawed element is Europe's effort to lock in its high living standards by raising clever new barriers to free trade and by sustaining high subsidies.

Here the contrast between U.S. and European policy is striking. The United States has taken a relatively bold leap by entering into a free trade agreement with Mexico, thereby crossing a cultural as well as a socioeconomic divide. In fact, it had little choice. If America did not export some low-paying jobs to Mexico and gain high-paying jobs in return, Mexico could not and would not stop exporting Mexicans northward.

The only permanent solution to illegal immigration into Europe is to export some low-paying jobs (in return for high-paying jobs) and enter into free-trade agreements with North Africa.

This strategy is more likely to work if the EU promotes, rather than hinders, global free-trade regimes that will integrate Europe and its neighbors into the rising tide of prosperity in the Asia-Pacific. But to allow Europe's neighbors to compete in their areas of natural advantage, European agricultural subsidies will have to go.

Within a few decades, as its own population declines while those of neighboring regions (par-

ticularly Africa) soar, Western Europe will be confronted with impoverished masses on its borders. Increasing numbers will slip in, to join the millions already there, exacerbating serious social and political tensions. Unless these masses feel they are part of European prosperity in their home countries, they will feel that they have no choice but to move into the EU itself.

There is a danger that these flawed elements in European strategy will be exported to the rest of the world. In the long run, if Europe persists with an "Atlantic impulse" — moving toward continental rather than global integration, exporting political development ahead of economic development while ignoring social and cultural differences and creating new protectionist barriers to lock in untenable welfare state policies — it will lead to grief.

Were the EU to become totally preoccupied with its immediate problems, this would be a loss not only for Europe but for the rest of the world. Mankind could benefit immensely if a new synergy were created between the newly revitalized Asian civilizations and the rich creative heritage of Europe. To achieve this, Europe must learn to approach the world differently.

The writer, permanent secretary in Singapore's Foreign Ministry, is expressing a personal view. This column was adapted by the International Herald Tribune from a paper he presented at the recent annual conference in Vancouver of the International Institute of Strategic Studies.

Sentence for CIA Spooks: A Big 'Boo'

By A. M. Rosenthal

NEW YORK — Do justice but love mercy, said Thomas Paine. If he were around this week he might add this: For heaven's sake, don't make a mockery of either, or a fool of yourself.

In Washington, R. James Woolsey, director of central intelligence, announced the punishment of 11 former CIA officials involved in the supervision of the CIA mole Aldrich Ames.

Mr. Ames was responsible for the executions of at least 10 anti-Soviet agents. As Mr. Woolsey has said, that would have been impossible if higher CIA officials had paid attention, or cared. Mr. Ames, described as a drunk and a wild spender, spread "catch me" clues behind him as he betrayed his country, and all people imprisoned in the Communist empire.

So, for sleeping on watch, year after year, the 11, including 6 who have retired, will be punished — by "reprimand." Mr. Woolsey decided that to do anything further, like listen to congressional demands for dismissals, would not be "the American way and it's not the CIA's way," he said that.

In New York, a federal judge, I. Leo Glasser, looked down at the prisoner before the bench, Salvatore Gravano — guilty by his own count of taking part in 19 murders of his Mafia colleagues. Mr. Gravano had testified that sometimes he was the shooter,

sometimes the backup man and sometimes "I set the guy up."

So the judge threw the book at the killer — five years in prison for the 19, all, not each. Mr. Gravano has served 4 years of a 20-year sentence he got under an earlier plea bargaining deal. He will likely be out in eight months. It comes to about three months a murder.

No fine was levied against his millions earned as a Mafia construction racket chief during his killing years. But he did have to pay into a court legal fund.

Fifty dollars.

Mr. Woolsey and the judge have two important things in common. They both are convinced that they had sound reason for what they did. Both are men of repute in their fields. That makes both episodes even more depressing.

The CIA chief's case is painfully thin. He thinks that making heads roll, as he put it, would send morale in the CIA and would be bad for the agency. He does not consider that maybe the best of the CIA staff would be happy, as I believe they would, to see the people responsible for

ing something difficult. When Mr. Woolsey takes the easy road he should spare himself and his countrymen the embarrassment of implying that he is upholding the grand old American way.

Judge Glasser had a better case. Prosecutors and even a couple of senators had asked him to go easy on Mr. Gravano because after his long career as a Mafia killer he had turned to an allied specialty — informing on other Mafia killers. He helped put a lot of them in jail, including John Gotti and about 35 others.

They told the judge how important it was to have excellent informers and how a light sentence would encourage other gangsters to follow suit.

Since Mr. Gravano could have been put away for life 19 times over, the original 20-year deal seems quite light enough, with maybe his own cell TV thrown in.

Yes, most of Mr. Gravano's victims were, like him, enemies of society. But to let their fellow killer off with a kiss of a sentence for knocking off 19 of them is to surrender to the Mafia vision of life, not fight it.

Three months a murder, and out with the flowers of May — that turns what could have been a judicious sentence into a mockery of justice and mercy. Also, it happens to make me sick.

The New York Times

International Herald Tribune
ESTABLISHED 1857
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Directeur Adjoint de la Publication: Katharine P. Darrow
International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.
Tel.: (11) 46.37.93.00. Fax: (11) 46.37.06.51. Adm.: 46.37.06.51. Internet: IHT@earthlink
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Gen. Mgr. Germany: T. Seifert, Publishers, 13 6023 Frankfurt, Tel: (49) 72 07 58. Fax: (49) 72 73 10
Pres. U.S.: Michael O'Connor, 850 Third Ave., New York, N.Y. 10022. Tel: (212) 733-3890. Fax: (212) 733-6785
U.K. Advertising Office: 63 Long Acre, London WC2E, Tel: (071) 836-4802. Fax: (071) 240-2254
S.A. au capital de 1,200,000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337
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Municipal workers cleaning a fountain in Kiev, one of the measures taken in an effort to halt a cholera epidemic.

Russia Fights Surge of Infectious Disease

By Michael Specter

New York Times Service

MOSCOW Plainly frightened by the staggering increase in infectious diseases throughout Russia, the nation's chief sanitary officer has warned that without emergency action a series of epidemics here could soon spread out of control.

Rates of cholera, dysentery, diphtheria, tuberculosis and many sexually transmitted diseases have exploded in the past year — due largely to sharp reductions in funds for public health, a flood of often sick refugees from former Soviet republics, poor hygiene, and a severe shortage of even the most common antibiotics.

"We are doing everything we can to protect the health of this country," said Yevgeni N. Belyaev, head of Russia's State Committee for Sanitary-Epidemiological Surveillance. "But the facts are not encouraging and time is short."

Russia is not alone among the countries of the former Soviet Union in facing the surge of infectious illness. In Ukraine, a cholera epidemic has developed so quickly that doctors predicted Friday that it would soon spread to nearly every part of the country. The country's chief epidemiologist, Vitali Movchanok, said that many rivers were so contaminated by waste and refuse that most filter systems were inadequate to protect against cholera.

The spread of infectious diseases has been viewed with particular alarm by health officials because their prevalence

often presents the clearest indication of a health care system unable to cope with its most basic problems. Most of these diseases are easily preventable, relatively cheap to cure, and if treated properly unlikely to cause long-term complications. But untreated they are deadly.

Infectious diseases are particularly dangerous because they can spread with exponential speed. In 1992, for example, Russia recorded 3,900 cases of diphtheria. Last year, the figure jumped to 15,210, according to statistics issued this week. In the first six months of 1994 alone the number has tripled again, to almost 48,000 cases. By comparison, in the United States last year, the Centers for Disease Control and Prevention did not register a single case.

Similarly, the number of cases of venereal disease among girls aged 12 to 16 tripled in Russia in the first six months of this year compared with the same period in 1993. The absolute figure remains low — fewer than 2,000 cases have been reported, but the growth suggests a heightened level of unprotected sexual activity that almost guarantees an eventual surge in AIDS cases here.

In the past, Soviet officials often bragged about the health care system, and many people say it has gotten worse since the Soviet Union dissolved. But it is impossible to know how much of the current crisis simply reflects honest, well-reported disease statistics, something that was never possible until a few years ago.

The life expectancy among males has

plummeted to 59 this year from 63 only two years ago, a drop without precedent in the developed world. Some of that is attributable to seriously rising levels of chronic illness, but some is a result of type of comprehensive statistics that never existed until recently.

"Russia has been hit with several intractable problems at once," said Murray Feshbach, a Georgetown University demographer.

"Russia has severe money problems and it is obvious when you look at the health budget," he said. "They came late to realizing how rapidly these illnesses could spread. Refugees from all parts of the former empire are coming to Russia and bringing with them an incredible collection of diseases. And many Russians remain skeptical that the health care system can do them any good."

Parents often refuse to allow their children to be vaccinated against childhood illnesses for fear they might get AIDS from dirty needles — a real threat in the past, but one that has essentially disappeared in Russia, as clean needles and better medical education have emerged.

It is that skepticism, and the low funding levels, that has kept vaccinations at a minimum. Mr. Feshbach says that in the 1960s, the Soviet Union spent an average of about 6.5 percent of its annual budget on health care. Twenty years later, by the time Mikhail S. Gorbachev became the Communist Party leader, the figure had fallen to 4 percent of the budget, and today it is only 2 to 3 percent. In the United States, the comparable figure is more than 15 percent.

EAST: In Post-Communist World, a Curtain Between Haves and Have-Nots

Continued from Page 1

ist countries get started toward the market economy.

It also could not guarantee strategic stability while the region struggled with powerful and destructive forces of nationalism unleashed in Serbia, Bosnia and outlying parts of the former Soviet Union.

And crime syndicates with powerful former Communist functionaries behind them sometimes seem to be a bigger threat to security than the now-obsolete nuclear arsenals that criminals have been trying to plunder.

Despite the confusion and considerable nostalgia for the stability and predictability of the old days, people in most of Eastern Europe are not rushing to go back to communism.

And they all remain determined to become members of the European Union by the end of the century.

"I don't think that's unrealistic," said George Koptis, senior resident official of the International Monetary Fund in Budapest. "But they will have to work hard to get there."

Slovakia, Slovenia and the Baltic states are only a little behind them. Even Russia is moving toward a market economy, though it may be many years before it works.

But in the countries that have not clearly cast their lot with the West, many of the economic structures, ways of thinking and leadership groups that prevailed under communism remain in place today, despite signs of change everywhere.

Off Vaci Street here in Budapest, an Italian store now sells Western-made shoes for cash — Hungarian forints — a sign that the local currency is gaining the confidence of consumers and foreign investors alike. But off the Kreshchak, the main street of the Ukrainian capital, Kiev, the temporary karbovanets coupons put into currency circulation as a symbol of independence from Russia have now become so worthless that people gather on the streets hoping to buy Russian rubles instead.

Traditional economic ties are pulling Ukraine away from the West and increasing its dependence on Russia, contrary to the nationalist dreams of independence. And a lot of what passes for business in Kiev seems to revolve around taking advantage of cheap Communist-style government loans.

"I know exactly how to tread the line, because five years ago I was earning my living by putting people in jail," said Vadim V. Nesterenko, a 32-year-old former detective turned importer-exporter.

His main market is Russia. "I get state funds to buy medical supplies and make the money work for me twice," he said. "I use the money to buy fruits and vegetables here, sell them in Russia for more money and then bring them back to the customers here."

Giant Soviet-style state-owned enterprises still dominate the Ukrainian economy, although most of them have been kept alive only by state credits that have now been cut off, forcing them to lay off workers and stop production. Industrial output has declined by 40 percent this year, according to Western economists. The country is divided politically, east to west and north to south, with a secessionist Russian movement in Crimea.

At the Naples economic summit in July, Group of Seven leaders agreed to offer Ukraine up to \$4 billion in aid if it finally started moving decisively toward a market

economy. This week, the International Monetary Fund said an initial loan of \$360 million would be disbursed before the end of 1994.

Despite such support, however, Ukrainians are split about which way they actually want to move on economic reform.

Even in countries that clearly know where they are headed, the Communist legacy has been hard to shake off.

Across Eastern Europe, state-run economies have virtually collapsed. Unemployment, unknown under communism, is growing: to 16 percent in Poland, 12 percent in Hungary, 14 percent in Romania and Ukraine, and close to 5 percent in the Czech Republic.

Leaders in these countries say they have been greatly disappointed by lack of support from the Western democracies.

"If you compare the current situation with our expectations in 1989-1990, I would say we are not satisfied, because we thought things would go faster," said For-

Czech Republic, and 44 percent to 39 percent in Hungary.

In Poland, 36 percent said they were optimistic, 22 percent pessimistic and 42 percent uncertain.

Gallup Hungary Ltd. interviewed about 1,000 people for The New York Times in each of the three countries. The polls in each country had a margin of error of plus or minus 3 percentage points.

Despite the comebacks of formerly Communist parties in Hungary and Poland as "socialists," these groups have changed more than just their names in the last five years. The new socialist leaders all fear Russian domination and want quick membership in the North Atlantic Treaty Organization to protect them from it. They also say they are as dedicated to achieving a market economy as the conservatives they replaced.

In Poland, however, the pace of privatization has slowed noticeably, and a recent decision to name Marian W. Zacharski, convicted in the United States of being a Communist spy before he was exchanged in 1986, as head of the Polish intelligence service caused consternation before the government withdrew the nomination.

The Hungarian coalition government that took office under Prime Minister Gyula Horn this summer has warned that more painful adjustments lie ahead, with government spending cuts on welfare programs that shelter people during the transition.

As his country's Communist foreign minister five summers earlier, Mr. Horn snipped the barbed wire marking the Iron Curtain, unleashing a flood of East German refugees and starting a chain reaction all across Europe. Now, as prime minister, he says Hungary will press on with privatization.

"People didn't vote for us because they didn't want a market economy," said Imre Szekeres, his deputy as party leader. "They thought we would be more professional and efficient in bringing it about."

In five years, the European Union has replaced the Soviet Union as Eastern Europe's largest trading partner, but the Western countries sell more than they buy from the East.

Polish exports to the European Union rose by 83.5 percent from 1989 to 1992. Czech and Slovak exports rose by 116 percent and Hungary's by 54 percent. But their imports from the West rose even faster, giving them a combined trade deficit of \$2.25 billion with Western Europe.

East European officials complain that when their companies can produce goods more cheaply than Western competitors, Western governments protect their industries by imposing tariffs or punitive quotas on the East Europeans.

But this is slowly changing under the pressure of capitalist competition that has transformed the shelves of supermarkets all over the region. East European consumers abandoned state brands for Western products, like the Henkel company's Persil laundry detergent, but now the soap is made locally in plants in Hungary, Poland, the Czech Republic and Bulgaria.

"Sixty percent of the new food products on our markets three years ago were imported," said Marian Broszka, a Polish agriculture official. "Now they are produced here."

But the Hungarian finance minister, Laszlo Bekesi, said that East European officials sometimes feel they are caught on a treadmill in dealing with the European Union.

sign Minister Andrzej Olechowski of Poland.

"If you press politicians in the West, they say yes, you can join us, at the turn of the century," he said. "But there is no agreement on a calendar to get there. Perhaps we were naive."

Polls conducted for The New York Times in the Czech Republic, Hungary and Poland in July also showed that many ordinary people felt vulnerable.

Overwhelming majorities — 73 percent in the Czech Republic, 86 percent in Hungary and 80 percent in Poland — said that a secure job was far more important to them now than the freedom to travel or the richness of consumer choice that they have enjoyed since communism collapsed.

Only 12 percent of the Hungarians polled thought they were better off today than they were five years ago, compared with 18 percent of the Poles and 32 percent of the Czechs.

These feelings may explain why Poles and Hungarians returned former Communist parties to power in elections in their countries this past year.

"Five years ago, I could put money from my salary aside in savings," said Krzysztof Proszowski, a 43-year-old steelworker at a plant outside Warsaw that lost nearly 2,000 jobs after an Italian company bought 51 percent of it. "Now, I live from paycheck to paycheck, but there's not much hope of finding another job under these conditions."

But when asked how they saw their own future, more Czechs, Hungarians and Poles answered "generally optimistic" than "generally pessimistic." Except in Poland, the optimists also outnumbered those who thought their future was "uncertain": 56 percent to 32 percent in the

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ART

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Memling's Serene Vision

By Michael Gibson
International Herald Tribune

BRUGES, Belgium — On April 25, 1473, the galley San Matteo, sailing under the Burgundian flag, left the Zeeland coast for England. Its destination: Pisa. It was accosted at sea by a Polish warship dispatched by the Hanseatic League to enforce a commercial blockade of England. The San Matteo's cargo, which happened to include Hans Memling's just completed Last Judgment Triptych, unexpectedly found its way to Gdansk, where the painting has remained ever since.

Now, 521 years later, the triptych, Memling's first known major work, a turbulent fantasia of the damned and the chosen, is back in Bruges, on the occasion of a splendid, 100-item exhibition to mark the 500th anniversary of Memling's death. The show, at the Groeningemuseum, runs through Nov. 15.

The triptych had been commissioned by Angelo Tani, the former representative in Bruges of the Medici Bank, on the occasion of his marriage. It was intended to be placed on the altar of the chapel which Tani had just founded in Fiesole. He and his wife are shown kneeling in the outer panels while Tommaso Portinari, Tani's successor in Bruges, who made the arrangements for the shipping, appears in the central panel as the man whose good deeds weigh down St. Michael's scales on Judgment Day. This appears all the more piquant when one realizes that Portinari had intrigued to have Tani recalled from Bruges and to be sent there in his place. How did he manage to get in the painting and what point was he trying to make?

The exhibition includes 40 paintings by Memling (about half his known production) and nearly 60 works by other artists which have some bearing on his work.

Paintings have been lent from a number of cities, and this may be the only occasion anyone will ever have to see the scattered panels of some of the polyptychs and triptychs reunited. This is the case, for instance, of the Jan Crabbe Triptych whose parts were separated and sold sometime in the 18th century. The central panel wound up in Vicenza, the inside wings belong to the Pierpont Morgan Library in New York while the outside wings remained in Bruges.

Memling became a citizen of Bruges on Jan. 30, 1465, but he was born (around 1440) in Seligenstadt on the Main, where he was known as Henne Mœmelings. He appears to have spent some time in Brussels in the workshop of Rogier van der Weyden, and his early work clearly reveals the latter's influence.

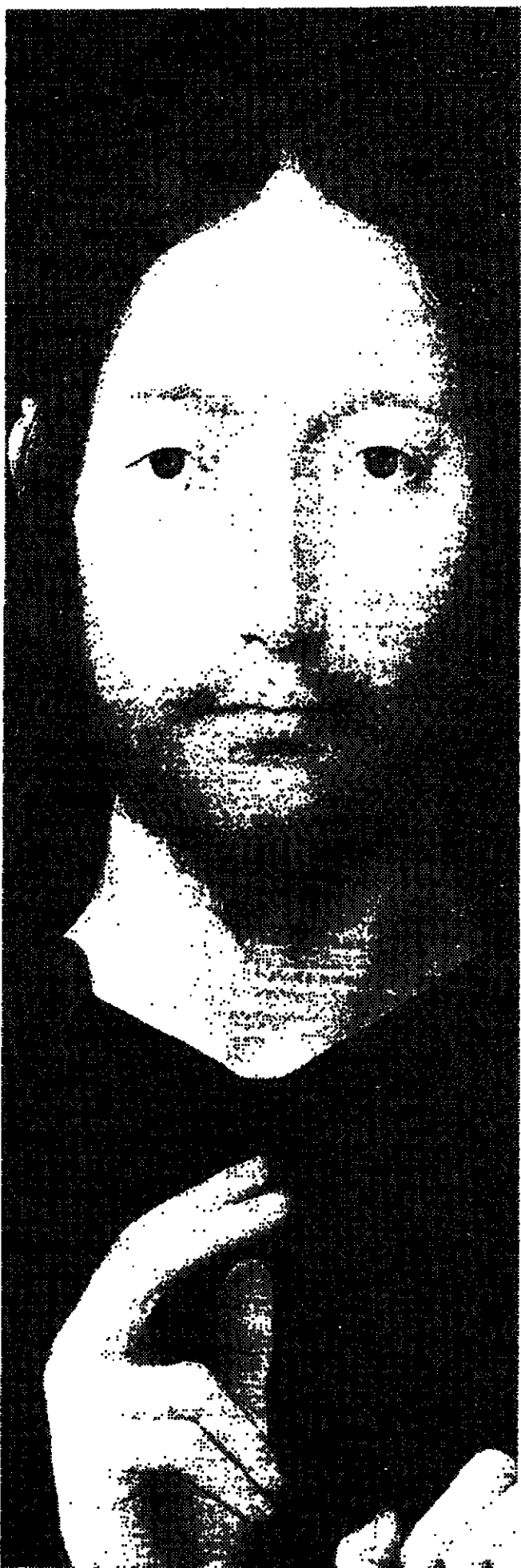
Memling is one of the major practitioners (with Van der Weyden, Jan van Eyck, and others) of a form rather nicely described in the catalogue as "optical realism." He has less intensity and pathos than his master, but his work radiates a sort of gentle, static serenity in which the nether world and the heavenly one are enticed to meet and to converse.

Memling's narrative power is tremendously complex, whether he is required to relate the story of Christ's passion in a single painting (the Turin Passion, whose formal organization is somewhat reminiscent of a child's calendar of Advent), or to present the various episodes of the lives of St. John the Baptist and St. John the Evangelist in a single work. Here the narrative unfolds in the carved capitals above the saints' heads and in the miniature scenes in the background. These scenes occur in the St. John Altarpiece which belongs to St. John's Hospital in Bruges and includes the spectacular panel devoted to the Revelation of St. John — a truly magical piece of narrative painting.

MEMLING is constantly inventive in small ways which add immeasurably to the charm of his work. Thus, in his Diptych of Maarten Van Nieuwenhove, his subject is shown on one panel, kneeling reverently, hands joined, before the Virgin and Child who are painted on the other panel. The three are gathered in a room, and the wall behind the Virgin is at right angles to the one behind young Maarten. Behind the Virgin hangs a round, convex mirror which reflects her silhouette seen from behind (an interesting conceit in a religious image) and, beside it, Maarten's profile. Both outlines are framed in the sunlit windows behind them.

This singular touch, added to Memling's carefully stylized realism, heightens the sense that the three figures are actually gathered together in the same space instead of being in separate worlds. Indeed, this sense of a real presence of the divine may be the central feature of Memling's art.

The juxtaposition of Memling's oeuvre with paintings by other artists of about the same period, with period objects of the kind Memling painted, helps to round out one's perception of this delightful and visionary work.



A Memling painting of Christ (detail).



George Rodger's image of an Arab fantasia in Chad.

At 86, a Photographer Looks Back

By Mary Anne Fitzgerald

LONDON — George Rodger should be a man content. At 86, the long-delayed exposure of his exceptional oeuvre of black-and-white photography has at last achieved public acclaim. There is the recently published "Humanity and Inhumanity," a weighty retrospective that spans nearly 40 years in the field. Not to mention an exhibition of his work at the Royal Photographic Gallery in Bath, England, until Sunday. It will move to the Barbican in London in May.

Now the accolades flow, from rapturous reviews and deferential magazine pieces, parties, the mention of a biography. So what's wrong?

"When I read the news, I want to be there. I wish I was 30 years younger and in Rwanda. It was the most beautiful country in Africa. Those forest-covered volcanoes were absolutely wonderful. When I was there 50 years ago I stayed with the Tutsi royal family.

Rodger is one of the original "have-camera-will-travel" photojournalists. He covered 75,000 miles (120,000 kilometers) and most of the campaigns that led to the Allied victory in World War II. After that he started the Magnum photo agency with Robert Capa, Henri Cartier-Bresson and David (Chim) Seymour.

One wonders why acclaim escaped him for so long. The answer lies in the man himself. Unassuming, he cared much for capturing the world with his shutter and little for self-aggrandizement. Neither did he have the time for vanity press.

From the onset of his career at 28 until his final assignment in Kenya at the age of 71, he traveled. And when he traveled, he invariably had the arena to himself. This enabled him to record with his Roliflex and Leica the celebrations, battles and daily routines that might otherwise have fallen through the cracks of history.

At the outbreak of World War II, Rodger was taken on by Life magazine as a \$100-a-week freelancer. His second stroke of luck was to get an assignment with the Free French fighting forces in Africa.

After that he covered many of the key campaigns in the Middle East, Europe and Burma that led to the Allied victory.

First it was the Blitz in London, then the Western desert campaign where he made "a suicide trip" of 3,000 miles across the Sahara.

The route was used by camels but had never been done in a two-wheel-drive Chevrolet pickup. Rodger's vehicle broke down and he was stranded without water for four days until his rescue by an enigmatic Frenchman called the Baron.

"I was in an awful state. Without water your tongue swells up. I was thinking I had to get to the next war. I was very young, you know. You don't consider the consequences. I re-

alized I might die, but it didn't seem to count for much."

In Syria, Rodger participated in a charge with the Circassian Cavalry, brandishing a Leica astride a galloping horse. It didn't make for sharply focused pictures, he says.

In Burma, he retreated from the advancing Japanese, walking for three weeks through leech-infested jungle.

RODGER was back, of course, in time for the liberation of Europe. The scenes he encountered at Bergen-Belsen shook him to the core, but despite his revulsion he shot pictures of corpses that had been cannibalized by fellow inmates.

Throughout his travels, Rodger laboriously numbered and captioned each of the thousands and thousands of frames he shot, then sent them back to New York undeveloped.

When he retrieved five large books of contact sheets from

Life last year, he looked at much of his work for the first time.

The Magnum partners carved up the globe between them. Cartier-Bresson took the Far East, Seymour Europe and Rodger Africa and the Middle East. Capa was the traveling fireman.

In 1948, Rodger used his severance pay from Life to finance a two-year meander from the Cape to Cairo with his first wife, Cicely, recording long-vanished traditions.

It was a journey in the manner of the Victorian explorers: "If there was something interesting, we were the first to be there. We stayed with the Nuba warriors of Kordofan [in western Sudan] for six weeks. "We didn't have a word in common, but they looked after us perfectly."

Mary Anne Fitzgerald is a London-based journalist, who covers Africa.



Rodger in Free French desert dress in 1941.

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At left, Nicolas Poussin's study for "The Holy Family on the Staircase." At right, his oil painting on the same subject. Both works are on exhibit at the Grand Palais in Paris.

Revising Art History: Drawings Reveal a Modern Poussin

PARIS — As art history sharpens its focus ever more, our certainties of yore become wobbly. How little we knew about Nicolas Poussin is revealed in the formidable retrospective that opened this week at the Grand Palais, where it can be seen until Jan. 2.

For the first time, drawings are treated with as much con-

SOURIN MELIKIAN

sideration as oil paintings and the result is a drastic change of perspective. Poussin's image as one of formal Classicism, sometimes grand and often hollow in its pompous conventions, will no longer be the same. Not that it has been eliminated from the show or from the highly important book by Pierre Rosenberg and Louis-Antoine Prat that goes with it, "Nicolas Poussin, 1594-1665." It comes out in much of Poussin's painted oeuvre, from "The Victory of Josh-

ua Over the Amorites," one of his earliest surviving pictures from the mid-1620s, to "Solomon's Judgment," done a quarter of a century later.

But so does a startlingly different side to Poussin's creativity, the genius of the draftsman concerned only with movement and rhythm, shadow and light, as terse and poetically evocative as some pictures can be bombastic. The contradiction is extreme. No explanation has been attempted, as if it were perfectly natural for an artist to nurture one vision in his pen and wash studies and paint another in his finished pictures.

Perhaps more detailed knowledge of Poussin's formative years would allow a better understanding of these apparent inconsistencies. Documentation unfortunately is scanty. Born in 1594 at Les Andelys in Normandy, Poussin is known to have been a gifted pupil at school with an early aptitude for drawing. The arrival of a painter, Quentin Varin, who

stayed in Les Andelys through much of 1611 and 1612, may have been the factor that led Poussin to turn to painting for good. Nicolas left his parents' house for Paris and spent the next seven years in the capital, presumably learning his craft in circumstances unknown.

AROUND 1620, Poussin made his first trip to Italy, realizing the dream of all aspiring artists. Then, in 1623, he had an encounter that changed his life.

The painter met the Italian poet Giovanni Battista Marino, who lived in Paris as a guest of the French court. The poet, then a European celebrity, took to the young artist. Within a year of Marino's departure, Poussin left for Rome. Marino introduced him to the inner circle of the francophile Pope Urban VIII. By October 1626, the youthful cardinal, Francesco Barberini, who was the Pope's nephew, gave Poussin his first recorded commission. He was

to paint a picture of "The Death of Germanicus."

Poussin set the scene in a 17th-century-style palace. Soldiers in Roman costume stand around the bed where the military chief Germanicus is in the last throes of agony. One of them raises his hand, swearing to avenge the dying man. The picture inspired Napoleon with immense admiration, later shared by Romantic painters such as Géricault. Pompous and stilted, it qualifies as kitsch.

But the preparatory study, in pen and brown wash, could have been painted in another age. A sense of irresistible force and movement is conveyed by the figures in the foreground. The artist has not bothered to draw the detail of the faces — Poussin virtually never does in his drawings. His characters look like silhouettes moving about in light and darkness. There is no architectural setting, only draperies with folds.

By the late 1620s, Poussin

was producing some of the most stunning sketches in his century. "The Massacre of the Innocents," presumably a first thought for a picture in the Musée Condé at Chantilly, is like an outburst of violence released in darkness. The figures are nervously scrawled, without the merest indication of conventions or detail. Only the thrust and the movement mattered to the draftsman. This is modern art four centuries ahead of its time. As Prat notes, the energy fully justifies the words used by Marino when characterizing his protégé. He had, the poet said, "the fury of a devil."

It may not have been there from the beginning. If Prat and Rosenberg are right in considering the first three drawings as originals from the master's hand, then Poussin could also draw in an insipid style anticipating the worst kind of comic strip illustration. Others, however, such as Konrad Oberhuber, have doubted the authorship of the sketches.

This is only one of the many question marks surrounding the earlier phase of Poussin's work to which the book draws attention with impeccable scholarship. They affect two of the most beautiful paintings. One is "L'Inspiration du Poète," which Rosenberg dates to around 1629-30. Yet, the group of three characters almost filling the frame against the backdrop of a sunset landscape, differs greatly from any of the early pictures. There is life to their swaying movement and wistfulness in the faces, that sets them apart from, say, "The Martyrdom of Saint Erasmus" painted between February 1628 and November 1629. Indeed, other scholars have put forward dates ranging from circa 1625 to the mid-1640s. One, Jacques Thuillier, is not sure that Poussin painted it.

Even more intriguing is the case of "Tancrède et Herménie." It is the masterpiece of the painter's early phase. If early, and if by Poussin, Thuillier, again, has

misgivings about it, and Doris Wild rejects it altogether.

The artist's later evolution can be mapped out with greater ease. As time went by, the landscape took increasing importance in Poussin's scenes. So did the architectural settings, now used with consummate skill, as in the first series of seven "Sacraments." In "Matrimony," the Palladian interior is painted with a sculptor's attention to detail. The Corinthian capitals are the most accomplished in any 17th-century picture.

"The Confirmation," which the English 18th-century painter and collector Jonathan Richardson most admired, takes place in a church that is obviously Sant' Atanasio dei Greci — the classical church stands in the neighborhood where Poussin lived. The sense of space emphasized by the sophisticated placing of the figures is the most striking feature in the picture. Rosenberg notes that Poussin would use wax figures that he moved around in a box to be sure of his effect. But the trick also points to another of Poussin's concerns, his deepening interest in sculptural volume throughout the 1640s.

This culminated around 1648 when he executed his most perfectly constructed composition, "The Holy Family on the Staircase." Now deeply imbued with the aesthetics of the Roman sculpture and architecture he had been gazing at for 20 years, Poussin contrived an illusionistic three-dimensional effect that has few equivalents in Western art.

A DECADE elapsed, and Poussin seemed to embark in yet another direction. The rendition of pure nature in which puny humans look frail yet full of dignity. His "Landscape with Agar and the Angel" could be that of an Italianate Dutchman were it not for that solitary human presence. An elderly peasant woman stands in immensity as she looks up at the flying apparition.

In "Spring," part of a set of four seasons, a tiny couple in the nude stands in harmonious scenery. She points a finger at the apples in the tree in a metaphorical allusion to Adam and Eve. The picture is full of serene alacrity. On the threshold of old age, Poussin contemplated man in his cosmos with the Stoic's feel for universal harmony. It is as if Pascal's "Thoughts," yet to be published, had haunted the painter. He died shortly later in 1665 and was buried in Rome.

A Sculptor Intent on Studying Dimensions of Pain

By Hank Burchard
Washington Post Service

WASHINGTON — Puzzling pain permeates the Louise Bourgeois show at the Corcoran Gallery of Art. "The subject of pain is the business I am in," proclaims the 82-year-old sculptor. But if she didn't say so, one might never know; we might just take her for an artist glorifying in the fullness of a long and productive career.

The two dozen sculptures and 30 drawings in the exhibition were selected by the Corcoran and the Brooklyn Museum from the past decade of this still-intensely-active artist's work. They exploit every medium from pencil to structural steel; they range from pocket-size to wigwam-size, and from expertly fashioned to junky. To the uninitiated, many of the pieces are beautiful, not a few are witty and some are just plain hilarious.

The French-born sculptor's "Legs" (1986), for instance, seems delightfully, playfully absurd, and more than a little kinky. It's a pair of legs — they look more like dominatrix boots, actually — more than 12 feet (3.6-meter) long, cast in black rubber and hanging straight down from the ceiling. May we giggle?

No, says Terrie Sultan, the

Corcoran's curator of contemporary art. "Legs" offers the antithesis of our expectations of the usefulness and attractiveness of our lower limbs," Sultan says in her catalogue essay. "Denied their traditional context by their detachment from the whole, they hang lifelessly, even menacingly."

Well then, how about "Nature Study (Velvet Eyes)" 1984? It's a pair of holes bored in a block of marble, into which round black and white stones have been so placed as to form a pair of comic-book eyes. They catch you unaware as you approach and may draw a hearty chuckle. Is this permitted?

No, says the critic Christian Leigh. It's a "cold, cruel, sinister stare," according to his catalogue essay. "Set inside a slab of silver-blue marble, which in its slanted shape brings to mind the stands built for the reading of the holy books lost from the tabernacle, is a pair of large, almost cartoonish, somewhat crossed eyes, black pupils on white ground. The eyes are like something out of the corner of a late Philip Guston painting, macabre and amusing. Chillingly, the references the work calls up (not only Guston's painting, but Oedipus, the Dali-designed dream sequence in the Alfred Hitchcock film "Spellbound," and Snow White's innocent stare) are

somehow less evocative than the personal conversation each viewer has with the work."

And so it goes throughout the exhibition. Let us think it's merely a case of curators imputing their own angst and anger to some nice little old lady, here's what Bourgeois herself has to say about her "Cells" series, large cage-like structures that make up the bulk of the show:

"The 'Cells' represent different types of pain: the physical, the emotional and the psychological, and the mental and intellectual. When does the emotional become physical? When does the physical become emotional? It's a circle going round and round. Pain can begin at any point and turn in either direction. Each cell deals with fear. Fear is pain."

"Louise Bourgeois: The Locus of Memory, Works 1982-1993," through Jan. 8.



Louise Bourgeois's marble sculpture "Untitled (With Growth)," done in 1989.

BOOKS

THE BETRAYED PROFESSION: Lawyering at the End of the Twentieth Century.

By Sol M. Linowitz with Martin Mayer. 273 pages. \$25. Scribner.

Reviewed by Jonathan Groner

THIS book by Sol Linowitz, a 1938 graduate of the Cornell Law School who helped build Xerox Corp. and negotiated the Panama Canal treaties for President Jimmy Carter, seems at first glance to be a diatribe penned by an aging veteran of the bar who pines for the good old days of the small-town attorney. But "The Betrayed Profession" is much more valuable and complex than that.

Linowitz's basic argument is that the legal profession has lost its way in recent decades. The growth of the large firm, the passing of the era of the generalist, the emphasis on profit and efficiency at any cost, the failure of the law schools to teach ethics — have transformed lawyers from trusted business advisers into the hired guns who populate lawyer jokes. Somewhere along the way, Linowitz laments, what he calls "professionalism" has been lost.

Linowitz recognizes that in many ways the good old days weren't so good; he himself was excluded as a Jew from most

top firms, and black, Hispanic and female attorneys would have done little better. Linowitz is not indignant because lawyers advise; he's upset because they're not doing enough for the poor. He shares with many conservatives a concern about the spiraling costs of litigation but takes the populist tack that all this litigation isn't doing anything to solve the problems of the average person.

Linowitz is especially strong when he speaks from experience. Through a bit of skill and a bit of luck, he was present at the creation of Xerox and rode its success from a partnership in a small Rochester, New York, law firm to corporate America to the world of diplomacy. When he started in the 1940s, law partners were colleagues and friends, and corporate transactions were settled with handshakes. When Linowitz retired in the 1990s, the megafirms held sway. When a corporation wanted advice, it went into the market for competitive bidding. Linowitz argues persuasively that the quality of the advice is often not as good as it was and that the corporate chief

is more likely now to be told what he wants to hear.

I have one serious reservation about this book. Linowitz is sometimes much too dismissive of the power of market forces to bring about change. He points out that many firms started charging their clients not only their hourly fees but a healthy markup for photocopying, messenger costs and the like. What he does not say is that many corporate clients have, belatedly but emphatically, demanded that those practices stop.

The best proof of Linowitz's thesis that something is amiss in the profession results from something that is not mentioned in the book and that he couldn't have anticipated. He refers fa-

vorably to Gary Fairchild, then the managing partner of the large Chicago firm of Winston & Strawn, as a fervent believer in "total quality management" for law firms. A few months ago, after this book went to press, Fairchild resigned from Winston & Strawn when evidence emerged that he had been systematically stealing money from the firm. The reaction at the firm was that Fairchild was the last person they would have suspected. It is time for some introspection, and Linowitz's book is a good start.

Jonathan Groner, an editor at Legal Times, wrote this for The Washington Post.

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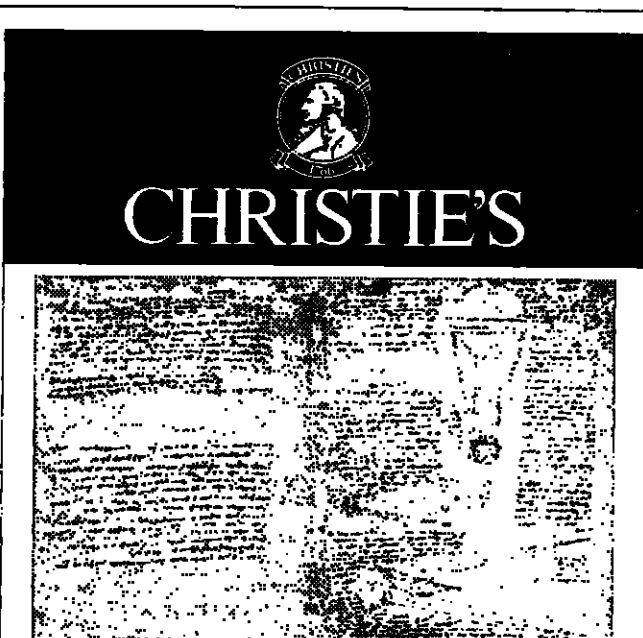
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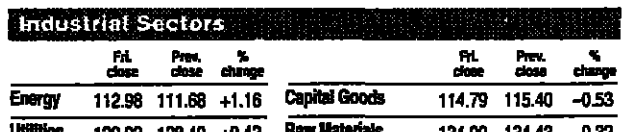
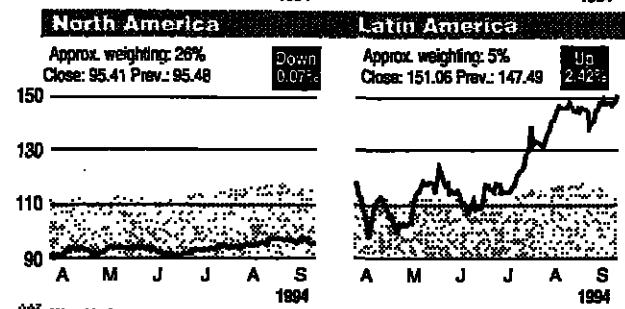
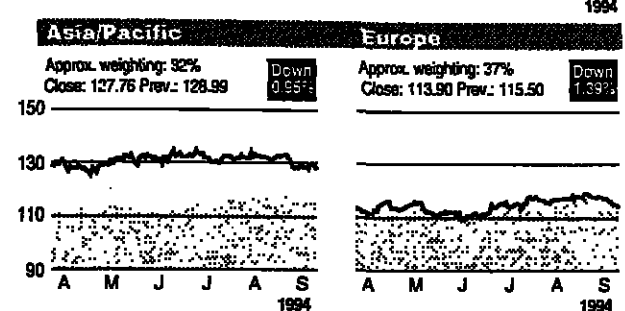
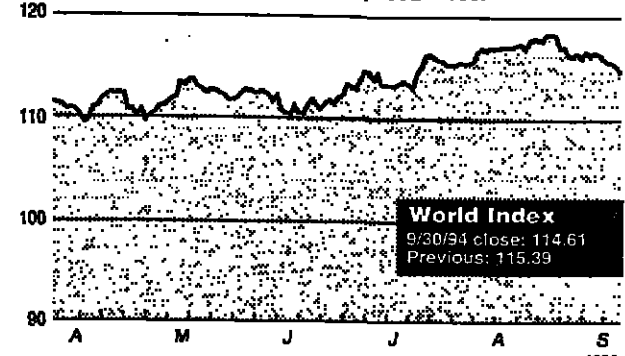
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"Untitled (With Foot)," also 1989.



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Mitsubishi Takes \$1 Billion Loss

Affiliated Finance Firms Need 2d Rescue Operation

By James Sterngold
New York Times Service

TOKYO — In a startling sign that Japan's four-year banking crisis is growing worse, the huge Mitsubishi Bank announced Friday that it was taking a loss of more than \$1 billion because of bad debts at two affiliated finance companies that are going through their second rescue operation in a year.

Even more chilling was the fact that bank spokesmen said it was still not clear that they had stanchied the flood of red ink at the two companies, which have been swamped by bad real estate loans.

Mitsubishi Bank said it was taking a \$1.08 billion direct loss on bad loans that the affiliates were selling for less than half of their face value. In effect, the bank purchased the loans from the two companies at face value, then sold them at a loss.

But under the terms of the sale, if the underlying value of the land held as collateral for the loans falls from its current depressed level, the losses to the bank will grow larger.

In addition, the bank said the two companies, Diamond Mortgage Co. and Diamond Factors Ltd., would pay no interest on their debts to Mitsubishi from April through the end of September.

That is the second consecutive six-

month period in which the companies were unable to meet their financial obligations. Mitsubishi Bank, the only Japanese bank listed on the New York Stock Exchange, had to write off other loans to the two affiliates last year.

Japanese disclosure standards are lax, and so Mitsubishi Bank did not say ex-

'All the banks in Japan have these kinds of problems.'

Walter Altherr, Merrill Lynch.

actly how much in interest payments were being lost. But Walter Altherr, banking analyst in Tokyo for Merrill Lynch Japan, estimated total losses at more than \$2 billion.

"I had hoped that the situation would not continue to deteriorate quite as quickly as it has," he said. "But all the banks in Japan have these kinds of problems."

Mitsubishi Bank had disclosed that, as of last March, it had \$11.5 billion in nonperforming loans, out of total assets of \$488 billion. But the news Friday demonstrates why most analysts think the disclosed figure at Mitsubishi Bank under-

states the problems by a wide margin.

Mitsubishi Bank owns only 5 percent of the two financing companies, with most of the rest held by other members of the Mitsubishi industrial and financial group. It was bound by informal norms and, more important, pressure from the Finance Ministry to avoid insolvencies.

The two troubled companies cannot take deposits, but they can make loans, and so are known as nonbank-banks, or nonbanks. During the late 1980s major banks had clusters of affiliated nonbanks that they pushed to make aggressive and risky real estate loans. In turn, the banks lent the nonbanks trillions of yen.

When the stock and real estate markets began to plummet four years ago, the banks simply failed to disclose the extent of their mounting losses and refused to write off bad loans. The Finance Ministry began to push banks to rehabilitate the battered nonbanks with more loans, often made at no interest.

"This problem is under control only because there's an agreement not to point out that the Emperor has no clothes," said Alicia Ogawa, at Salomon Brothers Asia.

"This was a good move because a lot of other banks are just playing a shell game with the problems. But the real news here is that it's not over yet."

Recovery Plan Narrows Air France Loss

Compiled by Our Staff From Dupont

PARIS — Air France said Friday it cut losses by more than 30 percent in the first half of the year, to 2.6 billion francs (\$492 million), as its recovery plan went into effect.

The plan, which includes cutting the work force by attrition and voluntary retirement, was put in place this year after a devastating strike last fall over a previous restructuring plan that included layoffs.

The first half loss compared with 3.8 billion francs during the like period last year. Revenue inched up to 27.5 billion francs from 27.4 billion in the 1993 period.

The state-owned carrier said freight and passenger traffic rose 10.6 percent, while its Air Inter unit had a 2.5 percent rise

in traffic. But this was at the expense of margins, which dropped "significantly," it said.

Air France said the performance so far corresponded to the goals of the recovery plan.

The airline spent 18 percent of its revenue on capital assets, mainly three Airbus A-340s and two Boeing 767s for Air France, and three Airbus A-330s and one Airbus A-321 for Air Inter, the domestic subsidiary.

The European Commission allowed Air France to accept a 20 billion franc capital injection from the French government, but it disallowed 1.5 billion francs in aid earlier this year.

Air France said it did not publish its per kilometer passenger yield figure because this is "market sensitive information." All it would say is that

there was a 16.9 percent increase in this measure.

The carrier was obliged to publish some of these details while it sought European Commission approval for its recapitalization. The EU gave the green light for the French government to provide the fresh capital on July 27.

The French government's aid came after the airline reported a 1993 loss of 8.48 billion francs, its largest ever.

Before the results, Air France's new chairman Christian Blanc, who replaced Bernard Attali in October, got approval from labor unions to introduce a program aiming at cutting costs. This plan includes shedding 5,000 jobs.

(Bloomberg, AP)

■ **Banque Hervet Posts Net**

LOSS — Banque Hervet SA, the French government-controlled bank, reported a profit of 28 million francs for the first half of the year, compared with a loss of 361 million for the same period last year, the bank said Friday, Agence France-Presse reported from Paris.

It said all of its banking subsidiaries were now profitable except Hervet Créditprime SA, specializing in real-estate financing, which lost 23 million francs in the first half.

The bank suffered a loss of 1.2 billion francs last year, leading the state to inject new capital of 750 million francs in April and to defer privatization.

France's 89.4 percent stake in the bank.

(Bloomberg, AP)

Swiss Re to Sell Direct Insurers For \$4 Billion

Bloomberg Business News

ZURICH — Swiss Reinsurance AG agreed on Friday to sell its European insurance units to Allianz Holding AG and Winterthur Insurance AG for more than 5.3 billion Swiss francs (\$4.1 billion).

German antitrust authorities, however, said that the Allianz acquisition could give the German giant a monopoly position in its home insurance market, and it was "very possible" that the deal could be blocked.

Swiss Re said it would sell its Elvia subsidiary to Allianz, Europe's largest insurer, as well as all its German units in a deal worth "clearly more" than 5 billion Swiss francs.

In addition, Winterthur will pay 335 million Swiss francs for Swiss Re's direct insurance operations in Italy and Spain, and for the La Equitativa group, Elvia's Spanish subsidiary.

"Europe is on the threshold of a deregulation in the direct insurance business," said Lukas Muehleemann, Swiss Re's chief executive. "Middle-sized and small insurers will have difficulties in coming years because of their cost structure. We had to conclude that most of our companies are in this category."

Mr. Muehleemann, who has held the post just one month, said his company was moving back to its core business of reinsurance and would concentrate on building its Asian and U.S. businesses, after recent diversification into primary insurance.

"Swiss Re has done a tremendously good deal," said Thomas Kalbermatten, a Union Bank of Switzerland analyst. "I always had doubts about their direct insurance business and they are now going back to what they know best."

Swiss Re said Friday its 1993 net profit rose 16 percent, to 325 million Swiss francs, lower than many market forecasts of more than 20 percent.

Swiss Re said it would raise its dividend to 10.50 francs a share, from 9.60 francs. Mr. Muehleemann said it was unlikely that shareholders would be paid a special dividend to reflect the gains from sales.

The reinsurance business has recently seen a shakeout, prompted by unusually large writeoffs due to natural disasters

Mr. Muehleemann said he felt "there are better owners for all our European companies than Swiss Re."

Whether Allianz would be one of the owners appeared doubtful on Friday. Although an Allianz spokesman said the German cartel authorities were "very understanding," analysts said it would be hard for Allianz to avoid breaching competition laws, especially since last year it acquired Germany's largest health insurance company, Deutsche Krankenversicherung AG.

All the sales are to take effect on Jan. 1, 1995, Swiss Re said. They will "almost halve" the 48 percent of total premium volume that Swiss Re gets from its primary insurance operations.

Swiss Re said it would probably stagger the entry of over 1 billion Swiss francs in one-time profit through its accounts over at least two years. The rest of the purchase price will be added to reserves.

Mr. Muehleemann said the sales revenue will be used mainly to build the reinsurance business internally, with no acquisitions foreseen. He said he recognized that reinsurance is historically more volatile business than direct insurance, but said there was growing demand.

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INTERNATIONAL MANAGER

Foreign Cash as Russian Scapegoat

By Fred Hiatt

MOSCOW — While President Boris N. Yeltsin was talking up Russia to potential investors in the United States this week, the opposition here was condemning foreign investment as an evil that should be blocked.

Sergei Y. Glazev, the former trade minister who quit last year, has emerged as economic spokesman for the opposition. He picked the week of a meeting between Mr. Yeltsin and President Bill Clinton, and the Russian president's wooing of American capitalists to denounce "privileges" granted to foreign companies. Mr. Glazev, speaking at a news conference on behalf of the Association of Russian Manufacturers, complained that foreign concerns were buying up Russia's treasures for a song.

"Why do foreign companies seek to establish control?" Mr. Glazev asked darkly. "To defeat competition. The rival enterprise is taken over, its program is curtailed and sometimes the enterprise is closed down."

Mr. Glazev, who chairs the economic policy committee of the State Duma, or lower house of parliament, demanded tough limits on foreign investment and foreign products.

Antipathy toward foreign business certainly has not become governmental policy, although foreign executives here complain of high taxes and frequently changing ground rules. Anatoli B. Chu-

bais, deputy prime minister and privatization chief, recently cited as a major triumph the surge of foreign investment to \$500 million per month, about twice last year's average.

But opposition forces are increasingly saying that foreigners — and the government's largesse to them — are to blame for Russia's troubles. In hard-hit factory

towns, many people find that argument attractive. Even within Mr. Yeltsin's administration, some officials are said to be sympathetic to it.

The argument reflects a deeper, widely shared view here that the West's chief goal is the end of Russia as a geopolitical and economic rival. When it reconvenes next week, the State Duma will consider measures to ban foreign ownership of land and restrict investment in industry.

There is also a full in perception of the current state of Russia's economy. The government points to falling inflation, increasing investment and some evidence of rising consumption to argue that the economy has "bottomed out."

The opposition, which essentially controls the State Duma, insists that Russia is sliding deeper into full-scale economic depression. Factory managers have warned of "deindustrialization" and mass unemployment if government policies do not change.

To some extent, both views may be correct, analysts said. Russia's private sector is growing and hiring. But vast sectors of the Soviet-built economy, and in particular its heavy industry, are too old, too illogically located or too wedded to uneeded products to adjust.

Moreover, the debate is intensifying at a time of some confusion in Russia's economic policy-making. The centrist government of Prime Minister Viktor S. Chernomyrdin pleasantly surprised reformers here and abroad by reining in government spending and inflation during the first few months of this year. But it has doled out subsidies more generously in recent months, according to economic analysts.

As a result, inflation is picking up a bit and the ruble, which had been losing value steadily but slowly, has tumbled. In the past week, it lost 14 percent of its value. The dollar has risen to 2,633 rubles from 2,301 last Friday.

"We are at a turning point," said Yegor T. Gaidar, former acting prime minister and economic reformer. If the government continues "pumping money into the economy," he said, "the price paid so far for stabilization — and it is not inconceivable — will have been wasted."

World Bank Invests in China Reforms

Beijing Set for \$15 Billion in Loans Over Next 5 Years

By Alan Friedman

MADRID — The World Bank expects to lend \$15 billion to China over the next five years to help Beijing proceed with infrastructure projects and economic reforms, officials said Friday.

Nicholas C. Hope, director of the World Bank's China department, said in an interview that Beijing — already the bank's single largest borrower with \$3 billion of annual loan commitments in 1993 and 1994 — would probably receive the same amount of annual loans over the next five years. This means that about 13 percent of total World Bank lending will go to China.

"We are extraordinarily confident that China can do what few countries have ever done in terms of comprehensive policy reform," Mr. Hope said. He said Beijing should have little problem paying interest on the loans because its annual debt service on \$85 billion of total foreign debt amounts to just 10 percent of annual export earnings.

Mr. Hope was speaking as finance officials from Group of Seven countries prepared for a meeting here on Saturday.

before the start of the annual International Monetary Fund/World Bank meetings. The G-7 officials, who are expected to agree to continue efforts to battle the twin problems of unemployment and budget deficits, will also discuss a growing controversy over a proposal by Michel Camdessus, the IMF managing director, to inflate the agency's resources.

Mr. Camdessus wants the committee representing 179 IMF member nations to approve \$52 billion worth of Special Drawing Rights, the IMF's reserve currency. The committee meets here this Sunday.

A U.S.-British compromise proposal would allow for the creation of about \$22 billion worth of SDRs, a large part of which would be used to help Russia and 36 other countries that have joined the IMF since the last SDR allocation was made in 1981.

Hans Tietmeyer, the Bundesbank president, on Friday rejected the idea of a large-scale general allocation of new SDRs. But diplomats here said Germany had indicated in private it would back the smaller U.S.-British proposal.

A key government backer of the compromise contended Friday that Mr. Camdessus had angered some G-7 governments by joining forces with Third World nations insisting on the full \$52 billion allocation. The IMF chief, this diplomat said, had become a "self-appointed guardian" of the Third World interests, which could threaten a deal on Sunday.

An IMF official declined to comment on the controversy, but diplomats said they expected haggling to continue until the last minute on Sunday.

Some backers of the U.S.-British compromise are especially upset by a threat from Third World nations to block separate credits for Eastern Europe unless Mr. Camdessus's \$52 billion proposal is agreed.

The credits, known as systemic transformation facilities, were invented to help countries in Eastern Europe make the transition to market economies from Communism. They feature prominently in loan packages for both Russia and Ukraine.

Without a decision on Sunday, the IMF's ability to offer these credits will expire at the end of 1994.

Decisions on the credits for Eastern Europe and the new IMF resources require a majority of 85 percent of the IMF membership.

After Gruber's Departure, What Next for Sony Pictures?

By Bernard Weinraub

LOS ANGELES — Peter Gruber's departure as head of Sony Pictures Entertainment, leaves many unanswered questions about Sony's huge investment in the American entertainment industry.

While rumors have proliferated in recent weeks that Mr. Gruber would leave next year, the timing of his announcement was still a surprise at his troubled studios — Columbia and TriStar — as well as in the rest of Hollywood. His five-year tenure was marked by several film flops, internal turmoil and lavish buyouts of executives.

Mr. Gruber's replacement is his second-in-command, Alan J. Levine, who was a leading film lawyer before joining Sony with Mr. Gruber and is relatively inexperienced in filmmaking.

Sony, the Japanese electronics giant, spent \$3.4 billion to buy Columbia Pictures in 1989. It paid an extraordinary \$600 million to \$700 million to buy the company Mr. Gruber owned with his former producing partner, Jon Peters, as well as the team's contract from Warner Brothers.

Sony also spent an estimated \$100 million, and perhaps far more, to refurbish and rebuild studios in Culver City and has spent tens of millions of dollars on buyouts of executives including Frank Price, former chairman of Columbia, and Mike Medavoy, former chairman of TriStar.

Had Columbia or TriStar had a major hit in the past year — such as Walt Disney's "Aladdin," or 20th Century-Fox's "Speed" (which TriStar had rejected) — criticisms of Mr. Gruber and his top executives would have been muted.

But his departure follows more than a year of grudgingly slow activity at the studios, coupled with the financial drainage of flops like "Last

Action Hero," "I'll Do Anything," "Geronimo: An American Legend," "Lost in Yonkers," "Cops and Robbers" and "North."

Moreover, executives at the studio complained that Columbia, under Mark Canton, seemed paralyzed at times, with studio executives locked in internal competition and bickering. At TriStar, the studio seemed rudderless, top agents and executives said.

Starting around Jan. 1, Mr. Gruber said, he would set up a company, heavily financed by Sony, to invest in and create films, television programs and other entertainment.

Among the successes of his Sony years were "Philadelphia," "Sleepless in Seattle," "Remains of the Day" and "Age of Innocence."

The selection of Mr. Levine to replace Mr. Gruber came as a surprise. The quiet-spoken Mr. Levine is a contrast to the engagingly enthusiastic Mr. Gruber. Mr. Levine will not have the same title: He was appointed president and chief operating officer of Sony Pictures Entertainment. Mr. Gruber was chairman and chief operating officer.

Within Hollywood, several studio heads said privately that they believed Mr. Levine's job was temporary — until Michael P. Schulhof, president and chief executive officer of Sony Corporation of America, found a permanent replacement. Mr. Schulhof and Mr. Levine vigorously denied this.

The new regime at Sony faces a formidable task. Its movie business has floundered, and Sony Pictures Entertainment now ranks last among major studios in market share. With two dozen films this year so far, Sony has had only an 11 percent box-office share in the United States.

OECD Gets Temporary Leader

Agence France-Presse

PARIS — Staffan Sohlman, Sweden's ambassador to the Organization for Economic Cooperation and Development, was appointed acting OECD secretary-general on Friday until the end of November.

His appointment was a compromise after an eight-month political dispute that mainly pitted the United States against France came to a head late Thursday.

The United States had said it wanted a non-European as the organization's next secretary-general, and this week confirmed it would oppose a third term for Jean-Claude Pave de France, who turned 60 last month. The United States had the support of non-European members, including Japan, which has nevertheless adopted a low profile in the dispute.

The OECD council said the choice of Mr. Sohlman would allow the organization to work without interruption.

MARKET DIARY

Computer Orders Erode Blue Chips

Compiled by Our Staff From Dispatches
NEW YORK — U.S. stocks closed mixed on Friday as computer-guided sell orders buffeted the Dow Jones industrial average in the final half hour, causing the blue chips to register their second straight decline.

The computer-driven orders shaved 17 points off the average, undercutting a rally in

on the Big Board, down from 302.14 on Thursday. Stocks took their direction Friday from developments in trade talks aimed at narrowing Japan's \$60 billion trade surplus with the United States, traders said. Friday is the deadline for an agreement that would avert U.S. sanctions. Reports that a partial agreement was reached helped the dollar and bonds rally, bolstering stocks for much of the session.

In over-the-counter trading, the Nasdaq composite index climbed 5.07 points, to 764.42. Stocks also were buoyed by a firm bond market. Bonds also got a boost from news that an index of prices paid by Chicago-area manufacturers dropped this month, suggesting inflation may be subdued. The yield on the benchmark 30-year bond fell to 7.81 percent from 7.84 percent on Thursday.

Philip Morris rallied 1 1/4 to 61 1/4. The company is expected to sell its Kraft food-service business and some smaller units for as much as \$1 billion in an effort to bolster returns.

(Bloomberg, Reuters, AP)

Hope for Trade Talks Keeps Dollar Buoyant

Compiled by Our Staff From Dispatches
NEW YORK — The dollar was firm Friday on expectations that the United States and Japan would reach at least a partial agreement in their trade talks, dealers said.

"Judging from the comments that have been leaking out of Washington, it looks like the

U.S. and Japan will reach a partial solution," said Win Thin, an analyst at MCM CurrencyWatch.

U.S. and Japanese officials held a final round of trade talks Friday, the U.S. deadline for progress in the talks before the United States considers sanctions.

The two sides were likely to reach an agreement on government procurement for telecommunications and medical equipment, but Mr. Thin said he saw no accord on the auto sector, which represents two-thirds of the U.S. trade deficit with Japan.

"The importance of an agreement without the auto sector

could be in doubt," Mr. Thin said.

Because of uncertainty surrounding the outcome of the talks, which will not be known until Saturday, analysts said most traders squared up positions before the close.

The dollar closed at 99.16 yen in New York, up from 98.60 yen on Thursday, at 1.5501 Deutsche marks, up from 1.5482 DM, at 1.2859 Swiss francs, up from 1.2855 francs, at 5.2925 French francs, up from 5.2853 francs. The pound was at \$1.5782, up slightly from \$1.5782.

"People are still a little cautious," said Michael Faust, a money manager at the San Francisco firm Bailard, Biehl & Kaiser. "You could see a sharp reaction over the weekend and early Monday."

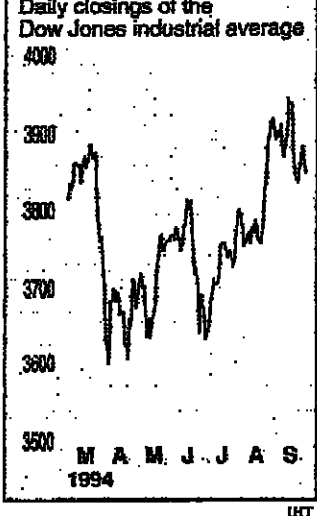
But others said movement on the trade news would be limited.

"You'd be crazy to bet either way on the dollar," Mr. Thin said. "You don't know which way the talks will finally go."

(Bloomberg, Knight-Ridder)

The Dow

Daily closings of the Dow Jones industrial average



NYSE Most Actives

Vol.	High	Low	Last	Chg.
IBM	100.00	99.00	99.00	-0.50
Microsoft	100.00	99.00	99.00	-0.50
Apple	100.00	99.00	99.00	-0.50
Oracle	100.00	99.00	99.00	-0.50
Sun	100.00	99.00	99.00	-0.50
HP	100.00	99.00	99.00	-0.50
Intel	100.00	99.00	99.00	-0.50
Northern Telecom	100.00	99.00	99.00	-0.50
WorldCom	100.00	99.00	99.00	-0.50
Verizon	100.00	99.00	99.00	-0.50

NASDAQ Most Actives

Vol.	High	Low	Last	Chg.
Microsoft	100.00	99.00	99.00	-0.50
Apple	100.00	99.00	99.00	-0.50
Oracle	100.00	99.00	99.00	-0.50
Sun	100.00	99.00	99.00	-0.50
HP	100.00	99.00	99.00	-0.50
Intel	100.00	99.00	99.00	-0.50
Northern Telecom	100.00	99.00	99.00	-0.50
WorldCom	100.00	99.00	99.00	-0.50
Verizon	100.00	99.00	99.00	-0.50

AMEX Most Actives

Vol.	High	Low	Last	Chg.
IBM	100.00	99.00	99.00	-0.50
Microsoft	100.00	99.00	99.00	-0.50
Apple	100.00	99.00	99.00	-0.50
Oracle	100.00	99.00	99.00	-0.50
Sun	100.00	99.00	99.00	-0.50
HP	100.00	99.00	99.00	-0.50
Intel	100.00	99.00	99.00	-0.50
Northern Telecom	100.00	99.00	99.00	-0.50
WorldCom	100.00	99.00	99.00	-0.50
Verizon	100.00	99.00	99.00	-0.50

Market Sales

NYSE	Today	Prev.
NYSE	291.52	367.40
Nasdaq	277.27	284.26

Dow Jones Averages

Open	High	Low	Last	Chg.
Indus	302.14	301.00	301.00	-1.14
Transp.	100.00	99.00	99.00	-0.50
Util	100.00	99.00	99.00	-0.50
Comp	100.00	99.00	99.00	-0.50

Standard & Poor's Indexes

High	Low	Close	Chg.
Industrials	501.40	500.00	-1.40
Transportation	100.00	99.00	-0.50
Utilities	100.00	99.00	-0.50
Commodities	100.00	99.00	-0.50
SP 100	302.14	301.00	-1.14

NYSE Indexes

High	Low	Last	Chg.
Composite	764.42	764.42	0.00
Industrials	100.00	99.00	-0.50
Transportation	100.00	99.00	-0.50
Utilities	100.00	99.00	-0.50
Finance	100.00	99.00	-0.50

NASDAQ Indexes

High	Low	Last	Chg.
Composite	764.42	764.42	0.00
Industrials	100.00	99.00	-0.50
Transportation	100.00	99.00	-0.50
Utilities	100.00	99.00	-0.50
Finance	100.00	99.00	-0.50

AMEX Stock Index

High	Low	Last	Chg.
AMEX	458.81	458.81	-2.24

Dow Jones Bond Averages

20 Bonds	Close	Chg.
20 Bonds	101.26	-0.07
10 Industrials	101.26	-0.07

NYSE Diary

Advanced	Declined	Unchanged
Advanced	1201	874
Declined	1201	874
Unchanged	1201	874

AMEX Diary

Advanced	Declined	Unchanged
Advanced	1201	874
Declined	1201	874
Unchanged	1201	874

NASDAQ Diary

Advanced	Declined	Unchanged
Advanced	1201	874
Declined	1201	874
Unchanged	1201	874

Spot Commodities

Commodity	Today	Prev.
Aluminum	0.72	0.72
Iron	21.00	21.00
Steel	1.10	1.10
Oil	1.10	1.10
Gold	1.10	1.10

EUROPEAN FUTURES

Metals	Close	Ask	Prev.
Aluminum	159.00	159.00	159.00
Copper	159.00	159.00	159.00
Nickel	159.00	159.00	159.00
Zinc	159.00	159.00	159.00

3-MONTH STERLING (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH EURO (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH JPY (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH CHF (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH AUD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH NZD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH CAD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH HKD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH TWD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH KRW (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH THB (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH MYR (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH SGD (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH PHP (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH VND (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH LAK (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH BDT (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

3-MONTH INR (LIPF)

High	Low	Close	Chg.
High	100.00	100.00	0.00
Low	100.00	100.00	0.00
Close	100.00	100.00	0.00
Chg.	100.00	100.00	0.00

U.S./AT THE CLOSE

Woolworth CEO Resigns in Dispute

NEW YORK (Bloomberg) — Woolworth Corp. said Friday that William Lavin resigned as chief executive officer and vice chairman because of "differences" with the retailer's board. The resignation came four months after an accounting scandal that resulted in Mr. Lavin's demotion from chairman.

Mr. Lavin, a 13-year veteran of the company, will be replaced by John W. Adams, a company director since 1981. Mr. Adams has been nonexecutive chairman and will be interim CEO until the company finds a replacement.

Bentzen Reiterates Sanctions Threat

MADRID (Reuters) — Treasury Secretary Lloyd Bentzen stepped up pressure on Japan on Friday, as trade talks remained unresolved while negotiators raced toward a midnight deadline.

Mr. Bentzen told Cable News Network there was "

Compaq's Business Expands in Japan

Japan Firms Plan Video Assistants

Malaysia Firm to Buy National Steel

Hong Kong Rates Freed

Japan Relaxes Ban on Stock Buybacks

India Enlists Underwriters To Back Telecom Stock Sale

Herald INTERNATIONAL Tribune

Taiwan to Sell Bank Shares

The three listed banks — First Commercial Bank Ltd., Chang Hwa Commercial Bank Ltd. and Hwa Nan Commercial Bank — are jointly held by the Finance Ministry and the Taiwan provincial government. Each of the banks had about 6.3 billion Taiwan dollars in pretax profit in the year ending in June.

Year high, the ministry will sell 22 million shares by June 1995 and 20 million shares in 1996.

The phased sale will help to cushion the absorption of capital incurred by the government's issue of more than 1 trillion dollars' worth of bonds in the past few years.

NYSE[illegible][illegible][illegible]

India Enlists Underwriters To Back Telecom

Bloomberg Business News

NEW DELHI — India's overseas telecommunications monopoly, Videsh Sanchar Nigam Ltd., has ensured the success of its second attempt to raise money abroad by securing underwriters for a \$750 million global stock issue, Sukh Ram, the communications minister, said Friday.

Mr. Ram announced the news was just hours after it emerged that the company's chairman, Brijendra Kumar Syngal, had quit in a dispute over pay for engineers. Mr. Ram said the resignation would not affect the stock issue.

He said the three global coordinators of the VSNL sale — Salomon Brothers Inc., Klein-

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invest
1,250

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GLOBAL BANKING & FINANCIAL

in the October
issue of the new

Herald INTERNATIONAL

PUBLISHED WEEKLY THE NEW YORK TIMES AND THE

erwriters

Stock Sale

enson Ltd. and Jardine & Co. — agreed to fully write the issue of 20 million depositary receipts at rupees (\$36.71) each.

al depositary receipts are made certificates representing the company's common stock is held by overseas customers on behalf of investors.

GDR issue, the first by a government-owned company in India was shelved in May after it was said they would not raise more than 1,400 to 1,600 rupees the company was then seeking.

L is expected to raise \$750 million from the sale which will be offered to investors for between 1,150 and 1,400 rupees each.

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NOTICE

1. The Government agreements from BANK FOR ECONOMIC DEVELOPMENT FOR INTERNATIONAL BANK, the WESTERN HEMISPHERE BANK, the cost of the development, local currency, etc.

2. SODA (Society of Development Agriculture) and bidders to prequalify:

* 1st package:
* 2nd package:
* 3rd package:

3. The interested parties of the above mentioned financing of the Economic Development OPEP FUND for Development Bank.

5. The prequalification 1984 and may THOUSAND (\$600 Million).

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Bank Ltd. and Commercial Bank —
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— Taiwan provin-
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\$3.3 million Tai-
Taiwan profit in
June.

The phased sale will bu-
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the past few years.

REPUBLIC OF SENEGAL
MINISTRY OF AGRICULTURE
E D E DEVELOPEMENT AGRICOLE
INDUSTRIEL DU SENEGAL (SODAGRI)

NIGER RIVER BASIN WATER AND
CULTURAL DEVELOPMENT PHASE II

OF INTERNATIONAL PREQUALIFICATION

The Government of Senegal has obtained various loans from the SAUDI FUND FOR DEVELOPMENT, the ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA, the OPEC FUND FOR ECONOMIC DEVELOPMENT, the ISLAMIC DEVELOPMENT BANK, the AFRICAN DEVELOPMENT BANK, in order to finance Phase II of the Niger River Basin water and agricultural development project in the Kolda region of Senegal.

The Government of Senegal (Ministry of Agriculture) and the Board of Directors of SODAGRI wish to invite potential bidders to submit their qualifications for one, two or three lots of the following works:

BASSAM Dam of Niandouba
Pumping Stations
Irrigation Land Developments
Bidders may submit their qualification for one, two or three lots in separate packages.
International prequalification is opened to firms eligible to bid for work under Saudi Fund for development, of the Arab Bank for Economic Development in Africa, of the Islamic Development Bank, of the African Development Bank and of the West African Development Bank.

Documents will be available from September 1, 1987 until October 31, 1987 by paying the sum of FIVE HUNDRED CFA francs which is not refundable and by writing to:
Le Directeur Général de la SODAGRI
Boite Postale King FAHD
N° 1000 - Dakar - Sénégal
Tél : 81 22 22
Fax : 81 22 22
Date limite de dépôt des offres : 16.12.1987 à 10h00 AM.

Statements written in French, will not be accepted if they are not received at the above address, at the latest on December 16, 1987 at 10:00 AM.

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FIRST COLUMN

It's Hardly A Victimless Offense

IN the long and endlessly variegated catalog of weak-minded nonsense, the idea that insider trading is a victimless crime has a special position. The argument runs that the insiders win, but nobody loses. In other words, yes, there is effortless enrichment for those passing their knowledge to each other, but nobody is made the poorer.

Such an argument is usually espoused by convicted criminals and those awaiting trial for theft and fraud. This, however, does not of itself relegate contentions of victimlessness to the intellectual waste basket. It takes a brief look at the evidence to do that.

First of all, there are victims, real victims, of insider trading. They fall into three main categories: shareholders, industry, and society at large.

It is a gross and obvious breach of duty to the shareholders when the officers of a company enrich themselves because of knowledge gleaned when acting as managers of a business run by shareholder capital. The shareholders clearly lose out.

FREQUENTLY, so does industry. Look at the scandals of the 1980s. The insider ring associated with junk-bond funded takeovers began to dismantle corporate America just for greed — and fun. Industry suffered and thousands upon thousands of jobs were lost.

And then there is society at large to consider. For better or worse, the idea of "the market" has prevailed toward the end of this century. Central planning and the idea of an economy as a system of social relations have been sidelined by the irresistible force of that market. Theories of market economics cover more than two thirds of the world. They are more pervasive than the oceans.

So it is important, surely, that the market be a genuine thing, seeking to find true prices, not some cheap, elitist game.

M.B.

Insider Trading: Impossible or Inevitable Amid New Takeover Fever?

By Philip Crawford

IT'S A FAMILIAR scenario. A takeover announcement hits the news and the stock price of the target company shoots skyward.

Sometimes the strong move is based on a high price being paid by the acquiring company. Other times it might be based on the target's future earnings prospects due to new management, fresh strategies, or cash infusions into certain products. The list of possible factors is long and diverse.

Also myriad, however, are the ways in which information regarding an imminent acquisition can leak to traders, brokers and to institutional and retail investors, lending them the opportunity to trade on insider knowledge. Analysts say that upward share-price movements just prior to takeover announcements can be an indicator of such goings on.

These phenomena, moreover, raise a fundamental question: Is some degree of insider trading inevitable? Analysts hold varying views.

"There has always been unusual share-price activity prior to a transaction," said Charles Ronson, publisher of The Spin-Off Report, a New York-based institutional research service that focuses on companies planning to sell parts of their business. "And it is seldom adequately explained. Share prices tend to flutter upward. I attribute it to trading on insider information. That's my perception."

One recent high-profile deal was Viacom Inc.'s acquisition of Paramount Communications Inc. The initially-proposed merger, in which Viacom was to buy Paramount for a total of \$8.28 billion in cash and stock, was first trumpeted as a *fait accompli* by the media on Monday, September 13, 1993. But a look at Paramount's share price in the week prior to that reveals an updraft already in progress.

From Tuesday, September 7, through Friday, September 10th, Paramount shares rose from 55 1/2 to 61 1/2. Following the takeover announcement, which was made over the weekend, they then jumped to 64 1/2 on Monday. Could news of the acquisition have leaked, causing a cautious rush on Paramount shares that drove the price up?

"With Paramount, you're talking about an industry that has been rife with deals," said David Leibowitz, managing director of Burnham Securities in New York. "And in the weeks leading up to the an-

nouncement, there was a lot of talk surrounding the company. I'm not surprised the shares moved up prior to the announcement."

Mr. Leibowitz added: "Part of the problem in looking at takeovers in general terms versus specific terms, is that many are rumored for a long time. As a result, to say that something is a total surprise when it actually happens is becoming more and more difficult."

Ultimately, Viacom had to fight off a competing bid from QVC Network Inc. before Paramount shareholders in February tendered 74.6 percent of their holdings, well above the 50.1 percent that Viacom needed to close the deal. The bidding war added between \$1.5 billion and \$2 billion to Paramount's sticker price.

Regarding takeovers in general, Mr. Leibowitz also noted that "there is a lot of paper generated at every stage of the process. And not everybody knows how to keep their mouth shut."

Another recent deal was AT&T Corp.'s \$11.5 billion acquisition of McCaw Cellular Communications Inc., which was final-

The quest for insider information is just as fervent today as it was during the 1980s.

ly approved by the U.S. Federal Communications Commission earlier this month. While the first bid came way back in November 1992, a major announcement on the deal didn't come until Monday, August 16, 1993. McCaw's share price had risen about \$2 a share in the two weeks prior to that date, and then jumped more than \$5 on the announcement. Had some investors known the deal would be closed?

George Dellinger, who covers McCaw for NatWest Securities in Washington, said it would be difficult to prove that some investors had prior knowledge that AT&T/McCaw was a done deal. He added, however, that "you'll have no trouble finding people who'll tell you that this kind of stuff leaks. And I don't argue that it doesn't."

Indeed, the quest for insider information, whether it is eventually used to trade illegally or not, is just as fervent today as it was during the takeover frenzy that characterized much of the 1980s, say observers.

Insider Trading

Page 17
U.S. problems resurface
Germany's initiative
Pan-European reforms
One case close-out

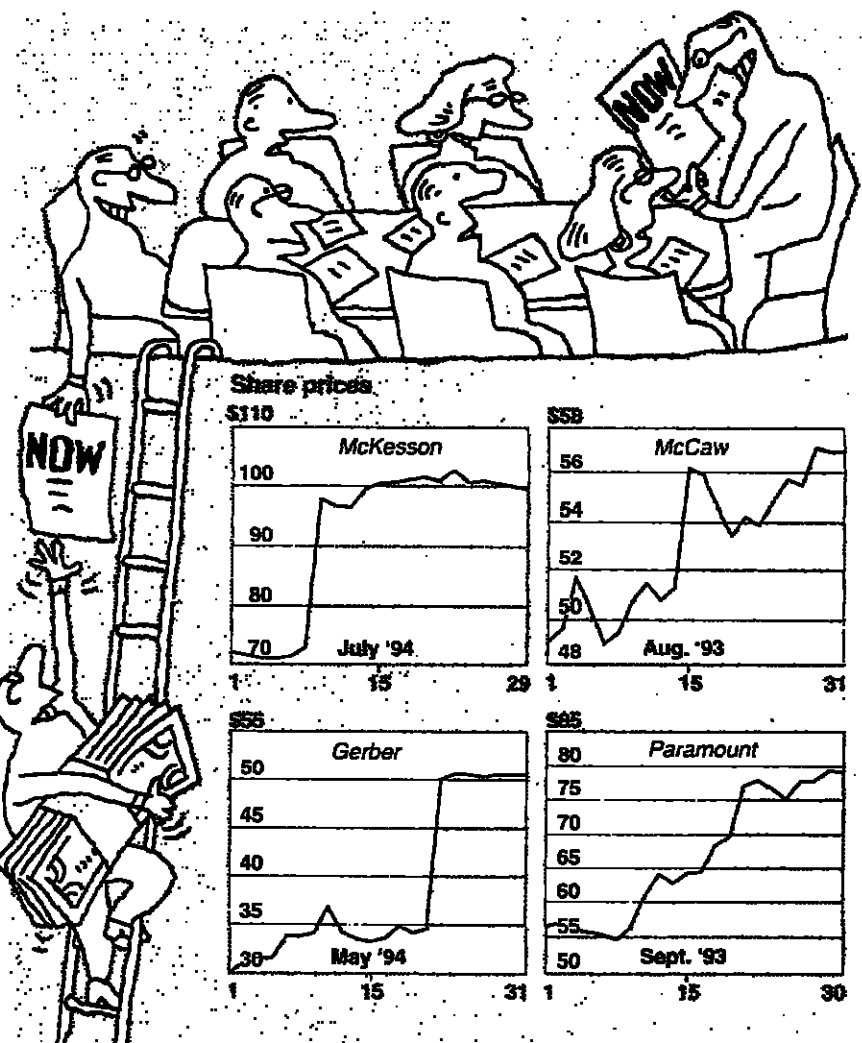
"I know for a fact that people are hiring detectives to do things like follow CEO's around to see who they eat lunch with and who they meet with," said a New York-based trader who spoke on the condition of anonymity. "They even have people who go to airports to try to find out where corporate jets are going. With technology getting more advanced and access to information getting wider, you have intensified efforts at espionage. People are trying to confirm logical corporate get-togethers."

But other analysts say that wider access to information can prove to be a double-edged sword for would-be insider traders. "It's very easy to tap into information," said E. Lee Hennessy, a hedge-fund consultant and senior vice-president at Republic New York Securities. "Wall Street is one of the last bastions of free enterprise where people do things verbally. But the same technology that makes information more accessible also greatly increases the odds that anyone involved in that sort of activity will get caught."

On May 23, the Swiss pharmaceuticals company Sandoz AG announced that it would acquire the U.S.-based Gerber Products Co., a developer and marketer of baby food and care products, for \$3.7 billion in cash. A look at Gerber's share price in the weeks leading up to the announcement reveals a \$4 move upward — from 30 1/2 to 34 1/2 — between May 2 and May 20. The buyout announcement on Monday the 23rd, moreover, sent Gerber shares soaring almost \$16 a share, to 50 1/2.

Were there insider profiteers on this deal? "That one did look suspicious," said a London-based Sandoz analyst who insisted on anonymity. "There were rumors that Gerber was on the block, and Nestlé had been speculated as a potential buyer. That sort of thing does happen, but I think it's happening less that it used to, due to regulatory tightening."

Experts stress that understanding what insider trading is — and isn't — is of paramount importance. The main point is that speculation, as protected by freedom-of-speech legislation in major markets, clearly does not constitute insider trading. Indeed, anyone can call anyone and say:



Source: Bloomberg

"Hey, I hear company X is buying company Y." If shares are bought on rumor, so be it.

On the other hand, when someone is in a position to have factual knowledge passes that on to others or acts on it himself, resulting in trades that are based on information not available to the investing public, that is insider trading in its purest form.

On July 11, Eli Lilly & Co., the huge pharmaceuticals concern, announced that it would buy PCS Health Systems Inc., a pharmacy benefit-management company, from drug and toiletries distributor McKesson Corp. McKesson's stock,

which had already moved up about \$20 a share since the beginning of the year, leaped nearly \$25 a share on the announcement.

Mr. Ronson, who tracks McKesson for the Spin-Off Report, said he couldn't say for sure whether some investors had had prior knowledge of the acquisition.

But he gave a firm opinion on the origin of insider knowledge that finds its way into the market:

"When you're talking about insider information, it has nothing to do with the increasing availability of data along the information superhighway. It has a lot to do with having a friend who knows."

U.S., Britain Spur Asia Toward Reform

By Rupert Bruce

LEGISLATION to fight insider trading is being introduced and enforced in more and more countries during recent years. The roots of the new aggressiveness lie in the United States and, to a lesser extent, in Britain.

Indeed, insider trading — broadly defined as when people in a privileged position use information they have gained by virtue of that position to deal on financial markets — has prompted disquiet in Anglo-Saxon culture for many centuries. There is a reference to it being discussed in the House of Commons as early as 1696.

In countries outside the United States and Britain, however, it has only concerned policy makers relatively recently. Some analysts even see the adoption of insider trading legislation by many countries — particularly emerging economies — as no more than a cynical ploy to give their stock markets badges of respectability.

"In the securities markets you are not respectable unless you have an insider dealing law," said Barry Rider, dean of Jesus College at Cambridge University and the author of several books on insider trading.

Insider trading was first outlawed in securities legislation passed in the United States in the early 1930s. Subsequently, a number of civil actions in the 1960s built up U.S. case law. And in the last decade, more legislation has been passed.

According to Mr. Rider, however, the U.S. legislation of the 1930s was not very substantive. The first truly effective laws, he said, are those that have come into existence within the last 10 years.

Curiously, while insider trading is theoretically a criminal offense in the United States, it is normally tried, at least initially, under civil law. Some regulators

around the world who pursue insider traders say this is the case because it is more practical. In other words, it is easier to prove insider dealing under civil law than it is under criminal law.

Japan has had insider trading legislation almost as long as the United States. The country's securities legislation was passed during the U.S. occupation after World War II. But it was not until very recently that insider dealing laws were actually enforced, say observers.

The first real case in Japan began last June and is still in progress. The Japanese Securities and Exchange Surveillance Commission, which was not created until 1992, is investigating 175 officers and employees of Nippon Shoji Kaisha Ltd., an Osaka-based drug manufacturer, who allegedly sold their shares in Nippon Shoji shortly before the public announcement that a drug recently marketed by the company had caused fatal side effects. The announcement caused the shares to plummet.

Charles Stevens, a Tokyo-based partner in Freshfields, an international law firm, suggested that enforcement of insider trading laws in Japan has been less than fervent. "A Japanese sociologist used to say that the Japanese law is like a family that has an ancient samurai sword," he said. "They take it out of the closet every now and again, but they would never dream of using it on anyone."

Other experts concur that there has been little enforcement of insider dealing or any other securities legislation in Japan until recently. This has been due in part, some add, to the discreet ways of Japanese executives which have provided little if any evidence of wrongdoing even when laws may have actually been broken.

Some observers add that Japanese authorities have been galvanized into action by securities scandals that rocked the country in the late 1980s.

Hong Kong is another place where in-

sider dealing legislation has only recently been enforced aggressively, say some analysts. One joke going around town quotes a company director who, upon learning that the Securities and Futures Commission, Hong Kong's financial regulator, was serious about hounding insider dealers, said that he would not be able to get anyone to sit on his board anymore.

Gerard McMahon, the director of enforcement at the Securities and Futures Commission, defends the territory's reputation, however, and says he does not think insider dealing is any more common in Hong Kong than elsewhere in the world. Hong Kong's Securities and Futures Commission was set up in 1989. Mr. McMahon says the first three years were absorbed with policy making and that the regulator only "shifted into higher gear" in 1992.

Mr. Rider of Jesus College reckons that much of the insider trading legislation around the world has been passed as a result of pressure from the United States. He said the U.S. Securities and Exchange Commission has forced insider dealing legislation on Germany, Switzerland and Japan.

Michael Mann, director of the office of international affairs at the U.S. Securities and Exchange Commission, said that its insider trading cases have had an impact on countries that are developing their securities markets. In this regard, he added, insider dealing legislation has become viewed as a benchmark for how markets treat investors.

As for putting pressure on other countries to introduce insider-trading legislation, he said: "Our approach and our central concern has not been *lex americana*, but mutual respect for law."

He explained that this means countries should assist each other in enforcing the laws of the marketplace no matter where a trade originates. Thus, he said, anyone trading in the U.S. market should be subject to U.S. laws.

The Mysteries of Derivatives Lend Opportunity

By Martin Baker

INSIDER dealing is rife in one increasingly popular category of the international management industry. Or maybe not. The truth is that no one really knows whether many of the managers who trade derivatives are cheating the market or not.

Given that we live in relatively heavily regulated times, this lack of certainty may seem odd. But it is, say industry analysts, inevitable. Our lack of awareness of what managers may be doing arises from the extremely complex nature of much of derivatives trading. This may seem paradoxical, since the contracts themselves are fairly easy to understand.

The simplest kinds of derivatives contracts, such as options and futures, derive their price from the movement of an underlying asset or financial instrument. They are almost invariably much cheaper to buy than buying the actual product or

instrument itself, and tend to fluctuate in value much more sharply than the entity on which they are based.

An example would be if one bought the right to purchase a share or an index of shares priced at \$100. The call option in question might cost \$2 if the shares were priced at \$98. But should the share price rise to \$110, each contract bought (costing \$2) would be worth \$10 — a gain of five times the initial outlay.

It is when these contracts are deployed in sophisticated combinations, often in computer-driven programs of forty or more contracts, that the problems occur. Not only is the net effect of the program hard to understand, but the managers of the program typically claim that the combination of contracts is a proprietary secret — something that should not be disclosed to the market, nor to the regulators' auditors.

One well-known suggestion for a way in which derivatives might be used for insider trading in an almost undetectable man-

ner involves the use of options on indexes composed of a small number of stocks.

London's FT-30 or Paris' CAC-40 indexes lend themselves easily to this. Would-be insiders could buy contracts that benefit from an upward move in the whole index, and then hedge (buy contracts that benefit from a downward move) every other share in the index except for the one that they expect to go up.

Viewed in such a light, this week's recommendation from the Securities and Exchange Commission, or SEC, on derivatives management is hardly surprising. The SEC wants mainstream mutual funds to better disclose what derivatives securities they are holding. The cause of the SEC's concern is that derivatives can be "illiquid," in that the market in them may be made by relatively few traders.

Be the reason for the SEC's move "illiquidity," risk, or the difficulty of regulating derivatives trades, analysts say that regulators have a lot of catching up to do to keep pace with the market.

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THE MONEY REPORT

SEC Fights Rise in Suspect U.S. Trading

By Judith Rehak

AFTER a period of relative calm, a resurgence in mergers and acquisitions activity in the United States is fueling a jump in unusual or unexplained stock trading.

In 1993, the National Association of Securities Dealers referred 71 incidents of such activity to the U.S. Securities & Exchange Commission, an increase of 144 percent over 1992. And the upward momentum is continuing this year. As of July 31, the NASD had sent 50 reports to the SEC, compared with 35 in the corresponding period a year ago.

"Right now, there are a lot of investigations going on," said Thomas Newkirk, associate director of the SEC's enforcement division. "It remains to be seen if they'll become real cases."

Under section 10-B of the Securities Exchange Act of 1934, the Commission can pursue those it suspects of wrongfully using non-public information to either profit or avoid losses involving stock trading. And the Commission has plenty of clout: unlimited subpoena power, the authority to seek insider traders with civil penalties of up to three times the profits made

or losses avoided, and the ability to hand over cases to the U.S. Department of Justice for criminal prosecution if it sees fit.

But what has really put teeth in these regulations, analysts say, is the growing use of technology and highly sophisticated software programs that analyze and detect unusual trading activity. At the New York and American stock exchanges, and at NASDAQ, the electronic exchange, banks of computers track the trading in listed stocks. Each one has its own history of transaction volume and price fluctuations.

When those parameters are exceeded, warning beeps sound and messages flash across the screens, signaling technicians.

If the trading looks suspicious, "we can automatically reconstruct our member-firm transactions and fax them for detailed information, such as customer identification, social security numbers, addresses, and the branch where transactions took place," explained Robert McSweeney, senior vice president of market surveillance at the New York Stock Exchange.

Equally sophisticated programs are in force at the American Stock Exchange and NASDAQ. Each exchange has jurisdiction over its member

firms and their employees, and any unusual incidents of trading activity by individuals and company executives are reported to the SEC.

But technology is by no means the only force at work in the battle against insider trading. Preventative measures, especially at Wall Street firms, play a far more significant role in discouraging such activity than they once did.

After the insider trading scandals of the 1980s that resulted in millions of dollars in fines and, in some cases, jail sentences, brokerages and investment banks beefed up their in-house surveillance of personal trading by employees. The biggest deterrent, say some observers, was the spectacle of some senior executives of Wall Street firms being led from their offices in handcuffs.

The SEC and the District Attorney's offices have been very aggressive in bringing criminal actions, much more so than in the past," acknowledged Mr. McSweeney.

The result, claim exchange officials, is that 80 to 90 percent of insider trading today is being perpetrated by individuals outside financial institutions.

There are numerous examples, like the plumber who was recently fined \$27,620 to settle

Federal allegations of insider trading based on confidential information about a pending acquisition that he received from his wife, who worked for a senior executive at GTE Corporation, the telecommunications concern. Or the case of employees at the printing company used by Business Week magazine, who traded on information they garnered from reading issues before publication.

There have also been a number of cases involving individuals at law firms who had access to confidential information on mergers and acquisitions deals, not only paralegals and office managers, but lawyers themselves.

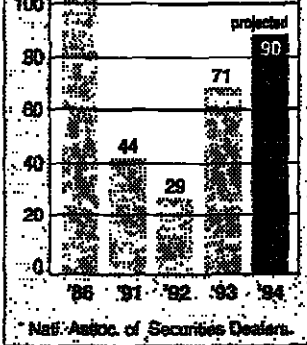
Moreover, anyone looking to make a quick killing in the United States and then flee abroad should note that the SEC is now better equipped to pursue them and their ill-gotten gains, warned Mr. Newkirk.

He cited a high-profile case in which Eddie Antar, the owner of Crazy Eddie's, a U.S. electronics retailer, sold off his shares just before the company collapsed. Although Mr. Antar fled to Israel, he is now in jail in the United States.

"Fifteen years ago we had no ability to get information overseas, and no ability to recover money," said Mr. Newkirk.

Strange Goings-On

Instances of unusual trading reported by the NASD to the Securities Exchange Commission.



"Now we have a network of treaties and memoranda of understanding with other countries and stock exchanges."

In light of such developments, why do people continue to think they can get away with insider trading? Mr. McSweeney, for one, thinks that many fail to realize how sophisticated surveillance systems have become.

But more than anything, he agrees, greed simply overwhelms reality. "They think they're small fish in a big sea and that no one will catch them," said one surveillance officer. "It looks like it's just such easy money. They just can't resist."

New Legislation Fuels Up German Regulatory Arsenal

By Baie Netzer

LATE this past August, shares in German industrial giant Daimler-Benz AG jumped within minutes of the company's announcement that earnings in the first half of the year had markedly improved.

But rather than celebrating their stock's rise, Daimler executives quickly pronounced themselves "baffled and embarrassed."

The problem? The company had accidentally enabled two news agencies to transmit their earnings 30 minutes before other news services laid their hands on the figures, thus giving some investors an inside track on share gains.

Observers of the German market find the Daimler case especially worrisome because Daimler is widely considered to be the most progressive German company in disclosing information. Since listing its shares in New York, Daimler has complied with the stringent rules set down by the U.S. Securities and Exchange Commission, or SEC.

Thus, few expected the company to have difficulty complying with a new German law that bans insider trading and requires fair and timely disclosure of relevant information. With the pressure on to raise insider trading out of Germany's \$530 billion stock market, the Daimler case points to the heightened awareness German companies must now learn to exercise.

Indeed, the very concept of insider trading as a crime is new to Germany. Until this past summer, when the German parliament passed a securities-trading law, insider trading was not punishable as a criminal offense. Authorities counted on a voluntary agreement, signed by approximately 95 percent of all those considered to be insiders, to prevent the practice. While the agreement allowed officials to view trading records of those who signed, experts acknowledge that, in practice, a number of instances of insider trading likely went undetected.

"There was a time when insider trading certainly played a role in the market," admitted Lothar Klemm, the minister of economics in the German state of Hesse, home of the Frankfurt stock exchange. "But the fact that a person can now go to prison for five years because of insider trading definitely gives more bite to market supervision."

When it takes effect at the beginning of next year, the new German law will create a three-tiered level of market supervision. A federal supervisory authority located in Frankfurt, where nearly 70 percent of all stock trades occur, will gain the authority to pursue insider-trading cases. The regional, state economic ministries that previously oversaw Germany's eight stock exchanges will also continue to exercise their general legal and market supervision.

In addition, each stock exchange will be responsible for monitoring electronic and floor trading. Evidence or signs of insider trading that are noticed by a stock exchange or state

ministry will be forwarded to the federal ministry for further action.

For investors who might have assumed that the fourth largest market in the world was also one of the most modern, the recent passage of an insider trading law may seem late in coming. Indeed, as the future home of the European Monetary Institute, Germany has been under increasing pressure to set the European standard for financial markets.

Moreover, international investors have long criticized the German market, asserting that corporate disclosure is slow and inadequate and that the large number of shares held by major corporations has created an unfathomable sea of interlocking directorates. In response, legislators have increased the amount of information that a listed company must disclose to the public.

Under the new law, German companies will be required to disclose relevant corporate information without delay through widely-distributed financial newspapers or wire services. In addition, companies will have to disclose purchases of shares in other companies when their holdings top the 5, 10, 25, 50 or 75 percent level of total shares outstanding.

"Right now a great number of shares are held permanently by large corporations and this can be very decisive," said August Schäfer, the Hesse commissioner for stock-exchange supervision. "For instance, if a company has a very large market capitalization but only a fourth of its shares are actually available for trading, then this will influence the movement of the DAX index."

Yet despite increased disclosure and supervision, many observers say that insider trading will remain difficult to detect. "We might notice irregularities in trading data, but most cases, whether in Germany or abroad, are discovered through tips," said Stefan Lutz, a spokesman for the stock exchange in Frankfurt.

Other German officials argue that tips will become less necessary as more and more trades become visible through on-line trading.

"In the past we had to rely on random spot checks," said Mr. Schäfer. "But in the future, the net will be cast so wide that it will be virtually impossible for insider trades to escape attention."

But to cast that net, the Hesse state government has found itself scrambling for money. Technology must be upgraded and more than ten new employees with the financial know-how to spot irregularities must be employed. To help in financing the initial costs, the stock exchange in Frankfurt has agreed to contribute approximately \$2 million.

At the very least, authorities say, the spirit of the law will improve the fairness of Germany's markets. "We fought for five consecutive years to get this law passed, and now it is about a real change in culture," said Mr. Lutz. "It should make our markets a lot fairer than they have been."

Need for Foreign Capital Prods European Reforms

By Aline Sullivan

WHERE arguments based on ethics have failed, arguments backed by cash may be succeeding. Insider trading is at last being taken seriously by continental Europeans anxious to attract foreign investment.

While many professional investors are reluctant to comment publicly on the subject, many say in private that insider trading remains widespread in Europe although recent regulatory reforms have helped to combat it.

"I get a strong feeling that insider trading is just the way business is done in much of the continent," said a British manager of a pan-European fund,

who insisted on anonymity. "But people are paying a lot more attention now to all forms of corruption. They are starting to open Pandora's box."

International capital flows are forcing changes in the European stock markets, according to a fund manager at a major U.S. firm in London. "Big investors won't put up with not being on the inside track," he said. "They simply won't buy the shares if they suspect insider dealing."

Change is slow in coming, however. In contrast to the United States, which has had laws on insider dealing for over 50 years, the countries of the European Union had to wait until 1989 before an EU directive on the subject came into force. But enforcement of the directive by some member states remains

patchy, say observers. Germany, however, has recently tightened its regulatory vice.

At the same time, much of corporate Europe is undergoing a catharsis. Grassroots political change, together with a new aggressiveness by the press and the effects of prolonged economic recession, have redefined many longstanding business practices as unacceptable, say observers.

"There is a lot of concern about corruption in the corporate sector," said Richard Taylor, head of European research at County NatWest in London. "Insider dealing is a big part of that."

In Italy, for example, as in many other European countries, insider dealing has long been widely regarded as a victimless crime. That attitude is

changing fast, however, thanks partly to the influence of foreign investors.

"The idea that insider trading is a victimless crime is nonsense," said the U.S. fund manager based in London. "There will always be losers when it happens. It may be hard to identify the victims, but that doesn't mean they are not there."

Some recent big cases have helped generate awareness of the problem. In the same month that Germany outlawed insider dealing, the German stock exchange began investigations into press allegations that a group of stock brokers had traded on privileged information.

Also in July, a Paris appeals court upheld Alain Boubill's prison sentence for insider trad-

ing. Mr. Boubill, who is making a further appeal, is alleged to have been involved in an insider-dealing scheme involving the 1988 takeover of the U.S. firm Triangle Industries Inc. by the French, state-owned aluminum concern Pechiney SA.

But insider trading is notoriously difficult to prove and prosecutions to date have been rare.

In the interim, many people continue to regard insider trading as a way to beat the system without causing any harm, say many market watchers. And the new sources of Eastern and Central Europe have only begun to tackle the problem.

"These countries do not yet take insider trading seriously," said a fund manager in New York.

Downe Settlement Closes Out One Case of an Insider's Fall

By Seena Simon

MANY market analysts agree that while legislative efforts to crack down on insider trading are discouraging the practice, a good deal of illegal trading based on privileged information still occurs. Many add that the best deterrent can be the well-publicized fall of a powerful professional or private investor.

A chapter of just such a scenario was completed earlier this month when Ed Downe Jr., a former director of the New York-based brokerage Bear, Stearns & Co., agreed to pay \$11.2 million to settle Securities and Exchange Commission insider-trading allegations.

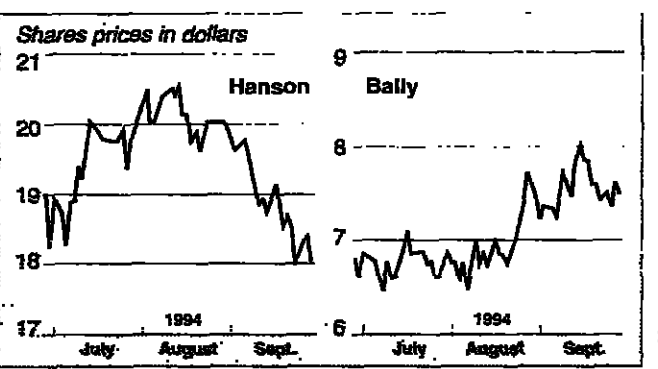
Mr. Downe, 65, was the fourth person in the "Society Seven" insider-trading ring to settle a 1992 SEC suit alleging that he and six other investors illegally profited from stock

tips they exchanged at their Long Island, New York, vacation homes from 1987 to 1989.

In order to come up with the money, Mr. Downe, the former husband of automobile heiress Charlotte Ford, will sell virtually all his assets, including art, antiques and a condominium near St. Petersburg, Florida. He will turn over the proceeds to the SEC. The money represents illegal trading profits of \$5.7 million plus interest, but includes no penalties, the SEC has said.

Mr. Downe, a one-time publisher of Ladies Home Journal magazine, was sentenced to probation in a related criminal case last year.

The SEC accuses Mr. Downe of making illegal trades in the securities of several companies, including the investment bank Bear Stearns and the security-services company Kidde Inc., after learning confidential information as a board member of both firms. Kidde was ac-



Source: Bloomberg

quainted with Hanson PLC, the British industrial management company, in 1987.

The agency also says Mr. Downe made illegal trades in Bally Manufacturing Corp., the U.S. gaming concern, using tips he got from Bally's outside publicist, Steven Greenberg, who settled SEC allegations in June.

Mr. Downe settled the SEC civil suit without admitting or denying wrongdoing and plans to focus on his ongoing business pursuits, said his attorney, Thomas Puccio. The agreement bars him from serving as an officer or director of a public company.

Mr. Downe pleaded guilty to the Bear Stearns and Kidde trades in criminal proceedings, however. "You can't get blood from a stone," said Richard Walker, head of the SEC's New York office, in explaining why

Mr. Downe won't have to pay penalties. "We have taken virtually all of his assets," Mr. Downe is being permitted to keep his Manhattan apartment, a 1969 Mercedes 280SE automobile, furniture and other belongings of "modest value."

Although the case exposed one of the largest insider-trading networks of the 1980s, the only person to receive a prison term was Milton Weinger, a former Oppenheimer & Co. stockbroker who served 10 months for carrying out trades for Mr. Downe.

Two other defendants, Martin Revson, a co-founder of Revlon Inc., and Fred Sullivan, former chairman of Kidde, previously settled SEC civil charges. The SEC case against Mr. Weinger, David Salomone, a business partner of Mr. Downe, and Thomas Ward, a Los Angeles real estate investor, is pending.

Bloomberg Business News

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"The card offers easier access to offshore funds and can be used to pay for goods and services anywhere in the world," said Beverly Le Cuirrot, head of Marketing at Standard Char-

tered in Jersey. "Withdrawals will be debited directly to a customer's account, so, unlike a credit card facility, there is no monthly bill."

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The Money Report is edited by Martin Baker

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SPORTS

Break for Villa
In Cup Draw

The Associated Press

GENEVA — Aston Villa was rewarded Friday for eliminating Inter Milan, the defending titlist, from the UEFA Cup with a comparatively easier second-round game — against Trabzonspor of Turkey.

Trabzonspor, which will host the first leg, eliminated Dinamo Bucharest after a 3-3 tie on the road to gain the second round but lacks European soccer experience. Inter won the UEFA Cup twice in the last four seasons.

In the draw Friday for the UEFA and Cup Winners' Cups, Trelleborgs, the team of Swedish part-timers who eliminated star-studded English club Blackburn Rovers, got another giant-killing opportunity by taking on Italy's Lazio in the second round. The first leg is in Rome. (See Scoreboard)

Arsenal, the Cup Winners' Cup holder, has a second round game against Brondby. The standout game of the Cup Winners' draw, however, is Feyenoord of Rotterdam against Germany's Werder Bremen. Feyenoord has made a modest start in the Dutch league, while Bremen is atop the Bundesliga.

Sampdoria, titlist in 1990 and runner-up the season before, hosts Switzerland's Grasshopper in the first leg, played Oct. 20. The second leg games are Nov. 3.

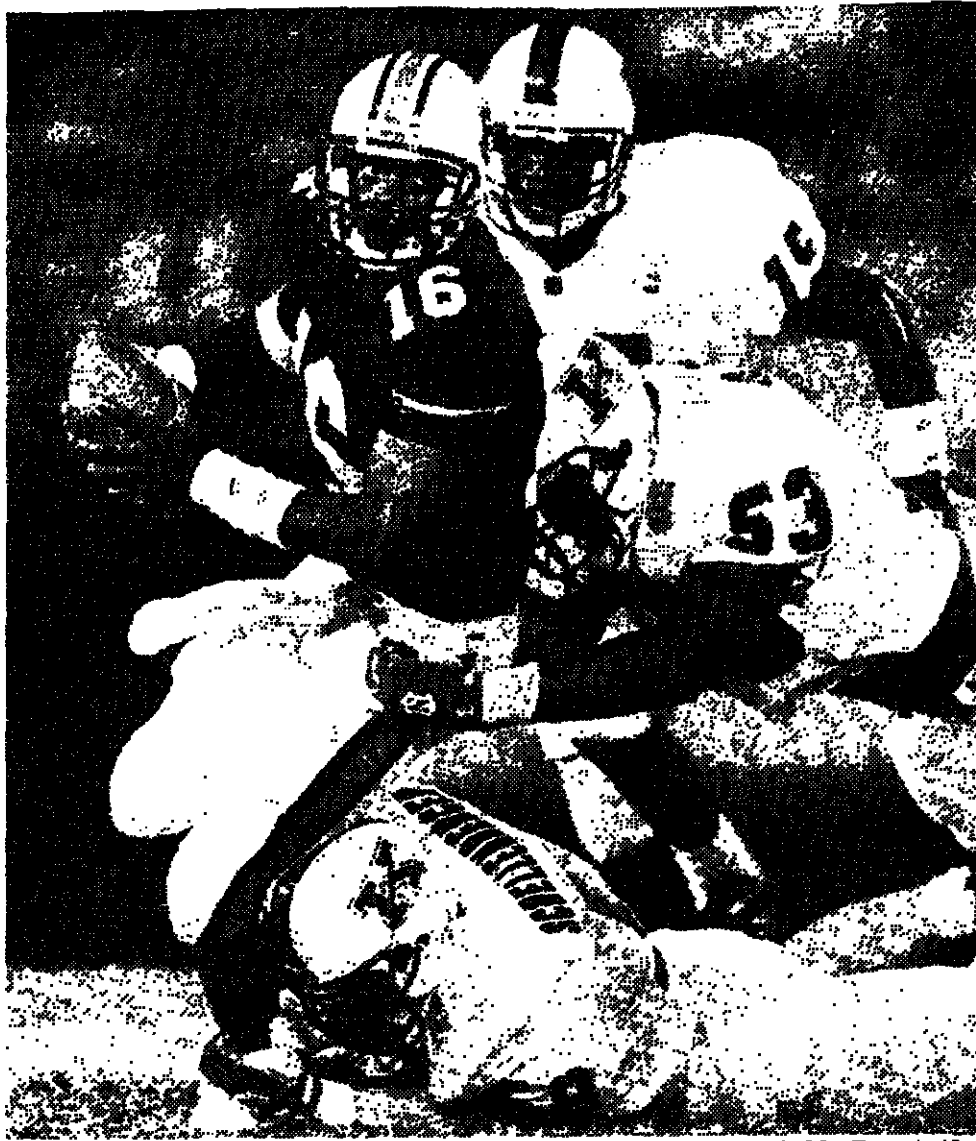
Among the favorites to win the UEFA Cup, mighty Real Madrid goes to Dynamo Moscow in the first leg Oct. 18, having sneaked past Sporting Lisbon on the away goals rule, while Italy's Juventus hosts Marítimo of Portugal.

Napoli, another Italian club still in the competition, goes to Boavista of Portugal while Parma, the 1993 Cup Winners' Cup titlist and runner-up last season, hosts AIK Solna of Sweden.

Newcastle, which heads England's Premier League, meets Athletic Bilbao, which is near the foot of Spain's first division.

Olympique Marseille of France visits Sion of Switzerland. Cannes goes to Austrian club Admira Wacker and Nantes hosts Russian club Tekstilshchik Kamyshinov and Bordeaux heads for GKS Katowice of Poland.

Germany's Kaiserslautern hosts Odense but countrymen Bayer Leverkusen visit Kipset Hovved, Eintracht Frankfurt travels to Rapid Bucharest and Borussia Dortmund goes to Slovakia to face Slovan Bratislava.



ON A ROLL — The quarterback Danayure Craig scrambled to escape a trio of Kentucky defenders, but No. 9 Auburn cruised to its 16th straight college football victory, 41-14.

Skins See Cowboys Coming,
But Will They Stop Them?

New York Times Service

COWBOYS (2-1) at RED-SKINS (1-3): Key stats: Henry Ellard is the NFL's leading receiver with 536 yards and four TDs on 26 receptions. The Cowboys have allowed just two first-half touchdowns in the last eight games and are 7-1 in that span.

Comment: After its first loss and a week off, Dallas will be out to inflict some heavy damage. Not a good week for quarterback Heath Shuler to be making his first NFL start. Even though Norv Turner, the Redskins coach and the former Cowboys offensive coordinator, knows what's coming, Washington won't be able to stop it.

JETS (2-2) at BROWNS (3-1): Key stats: Browns defense has allowed 51 points — the fewest in American Football Conference. The Jets offense has scored 69 points — second fewest in AFC.

Comment: Jack Trudeau will make his first start for the Jets, substituting for the injured Boomer Esiason at quarterback. It won't matter unless the Jets can get some production from their rushing attack. The Browns defense could stand in the way of that happening. They held Marshall Faulk to 54 yards rushing last week.

LIONS (2-2) at BUCCANEERS (1-3): Key stats: In nine games against the Bucs,

Barry Sanders has averaged 113 yards rushing (5.2 yards per carry) and one touchdown.

Comment: Linebacker Hardy Nickerson is out with an ankle injury and with Sanders lined up in the Lions' backfield that spells trouble for Tampa Bay. Tampa Bay's offensive line

yards rushing or more. Arizona defense is holding teams to a 29.4 third-down conversion percentage.

Comment: Jay Schroeder gets the nod at starting quarterback for an Arizona offense that is completely clueless. They won't get any helpful hints from Minnesota's defense, which is smarting after getting strangled by quarterback Dan Marino last week.

NFL MATCHUPS

has allowed nine sacks in the last two games and quarterback Craig Erickson hasn't been very effective.

PACKERS (2-2) at PATRIOTS (2-2): Key stats: Tight end Ben Coates leads AFC in receptions with 29. Green Bay averages just 66 yards rushing per game.

Comment: Packers quarterback Brett Favre hit on 30-of-39 pass attempts last week against Tampa Bay. The Patriots pass defense is ranked No. 27 in the league. But because Favre is so inconsistent, there's no way to tell whether he can exploit New England the way Dan Marino and Jim Kelly did. Patriots quarterback Drew Bledsoe should have a much better day, even with Reggie White breathing down his neck.

SEAHAWKS (3-1) at COLTS (1-3): Key stats: Seattle's defense is second against the run in the AFC, yielding 89.9 yards. The Colts average 141 yards rushing per game — first in the AFC.

Comment: After getting off to a quick start, Colts rookie Marshall Faulk has been held under 60 yards rushing the last two weeks. It probably won't get any easier this week, because Seattle knows how to stuff the run. Plus, the Seahawks have a punishing runner of their own in Chris Warren, who leads the AFC in scoring with six touchdowns.

FALCONS (2-2) RAMS (2-2): Key stats: Jerome Bettis averages under 55 yards rushing against the Falcons. Jeff George's 70.3 completion percentage leads the NFL.

Comment: This is a rematch of a Week 2 meeting that the Falcons won convincingly (31-13). The Rams are inconsistent, so you never know what you're getting when they line up. The Falcons are still a dangerous passing team, but the Rams secondary intercepted three Joe Montana passes last week.

BILLS (3-1) at BEARS (2-2): Key stats: Erik Kramer's 8.37 yards per play is second in the NFL. The Bills pass defense ranks No. 23 in yards allowed per pass (7.37 yards).

Comment: Thurman Thomas is out with a sprained knee, but Kenneth Davis is a capable backup and the rushing attack won't suffer. That's good news, because the Bears have one of the worst run defenses in the league.

VIKINGS (3-1) at CARDINALS (0-3): Key stats: Terry Allen's 5.8 yards per carry leads all running backs with 200

Comment: The Oilers won their first game last week against Cincinnati — barely. Meanwhile, the Steelers were humbled by Seattle. Oilers running back Gary Brown has a sprained ankle and may not play. That means the Oilers will have to rely on quarterback Cody Carlson, who has a broken nose, to guide them.

Open Date: Broncos, Chiefs, Raiders, Chargers.

These National Football League matchups were compiled by Timothy W. Smith.

SIDELINES

NBA Said to Back Tarpley's Return

DALLAS (AP) — Roy Tarpley, suspended by the National Basketball Association since 1991 for substance abuse problems, has reportedly been reinstated by the league and will be with the Dallas Mavericks for the start of training camp next week.

The Dallas Morning News, quoting sources involved in the process, reported Friday that the NBA commissioner, David Stern, had approved Tarpley's return once an after-care program is in place. Tarpley drew a lifetime suspension on Oct. 16, 1991, after he refused to take a drug test, his third violation of the NBA's drug policy. The league later changed the terminology to "indefinite suspension."

The Mavericks are expected to sign Tarpley to a \$2.6 million contract. Tarpley, who plays center and forward, averaged 12.6 points and 10.5 rebounds for Dallas over a five-season span. The 7-foot (2.13 meters), 245-pound (111-kilogram) Tarpley played in Greece the past two years.

Singapore Seeks to Arrest Czech Star

SINGAPORE (Combined Dispatches) — A Singapore district court judge on Friday issued an arrest warrant for the Czech soccer star Michal Vana, charged in a Singapore match-fixing scandal, after he failed to appear in court.

The judge also ordered that Vana, 31, not be allowed any further bail if arrested.

Vana, a midfielder on the Singapore national team for the last three years, was charged with six counts of taking bribes allegedly to fix match results in the Malaysia Cup tournament earlier this year. (AFP, Reuters)

For the Record

Ernie Els of South Africa shot a nine-under-par 63 to take a one-shot lead over Russell Claydon of England in the opening round of the German Masters on Friday in Berlin. (AP)

Quotable

• Mick Jagger, appearing in concert with the Rolling Stones at Giants Stadium, on the baseball strike: "We're the only stadium act that's not on strike."

45 Years Later, Paterno Still Dreams On

By J. A. Adande

Washington Post Service

STATE COLLEGE, Pennsylvania — It's one of the trade-offs of college football. If you want a glamorous job, you probably won't live in a glamorous city.

South Bend, Indiana; Tuscaloosa, Alabama; Lincoln, Nebraska, are dream locations only if you're a coach.

This town is one of those places. By car, you have to drive two hours just to be two hours away from somewhere. Air travel isn't for the faint of heart, since the airport can barely accommodate anything larger than a Cessna.

The social life? "What we do for fun up here is leave," said the Penn State quarterback Kerry Collins.

This is the last place one would think a native of Brooklyn would choose to spend his entire adult life, but Joe Paterno has been here for 45 years and he isn't about to leave. After 16 years as an assistant and the past 29 as a head coach, with national championships in 1982 and 1986 and 15 bowl victories, Paterno is State College. His name has brought top recruits here, brought television networks here, even brought the Big Ten Conference here.

He turned down other jobs, including the post at Michigan in 1969, and stayed. In a field in which unemployment can be just a 5-6 season away, Paterno has stayed so long that he has become an institution, compiling a record of 261-69-3, for a winning percentage of 78.8. Since Paterno arrived, Penn State has moved Beaver Stadium and made three additions to keep up with fan interest, and with a capacity of 93,967 it is the second-largest on-campus stadium in the country, behind Michi-

gan's. In the past 29 years the dimensions of the ball have changed, the width of the uprights has been reduced, and scholarship numbers have shrunk, but Paterno's job title is the same.

"I never wanted to go as long as I've gone," he said. "I probably was looking around for the first 8 or 10 years, but after I was here 10 years I wasn't going anywhere else."

Paterno is 67. He used to say he'd coach until he was 70, but that was when the date was five years away. He keeps pushing his retirement back, and for now his commitment is five more years, enough to see the current recruiting class through. He could tell the next recruiting class the same thing.

Penn State and its basic offense have also been a traditional haven for running backs — Lenny Moore, Lydell Mitchell, Franco Harris, John Cappelletti, Curt Warner. But this season the No. 4 Nittany Lions have turned into an offensive force, outscoring opponents 210-65 through the first four games, all victories. Penn State is second only to Florida in scoring average this season, 52.5 points a game to 58.0.

The Nittany Lions strike often and they strike quickly; 10 of their drives have taken less than a minute, 16 less than two.

Collins has completed 56-of-79 passes for 934 yards and eight touchdowns. He has two of the best receivers in the nation in Bobby Engram (18 catches, 378 yards, three touchdowns) and Freddie Scott (17 catches, 384 yards, three touchdowns). And he has a top running back to hand off to in Ki-Jana Carter, who is averaging 8.6 yards a rush (540 yards on 63 carries).

"It's hard to play one aspect of our game," Engram said. "The running game's

always going to be tough, and since we stepped the passing game up to that next level, we do have a complete balance."

Still, this is Paterno and Penn State, the tandem with the basic offense and basic uniforms. It's the school that tried to ram the ball in at the goal line four times and couldn't score in the turning point of a loss to Michigan last year.

"I think a lot of people have a preconceived notion that Joe's conservative and strict and likes to run up the middle — which he does," Collins said. "But at the same time I think he realizes that to be competitive in college football you have to have a good passing game. The things he's done so far have been evidence of that."

After an off week, the Nittany Lions travel to Michigan on Oct. 15, then have another off week to prepare for the second part of the two-game set that could decide their Big Ten finish, Ohio State at home Oct. 29. A conference championship is within their grasp and they have an outside shot at the national championship, although the Rose Bowl's exclusion from the bowl coalition means the only way the Lions could play a title game would be if they and current No. 6 Arizona of the Pacific-10 occupy the top two rankings going into the game.

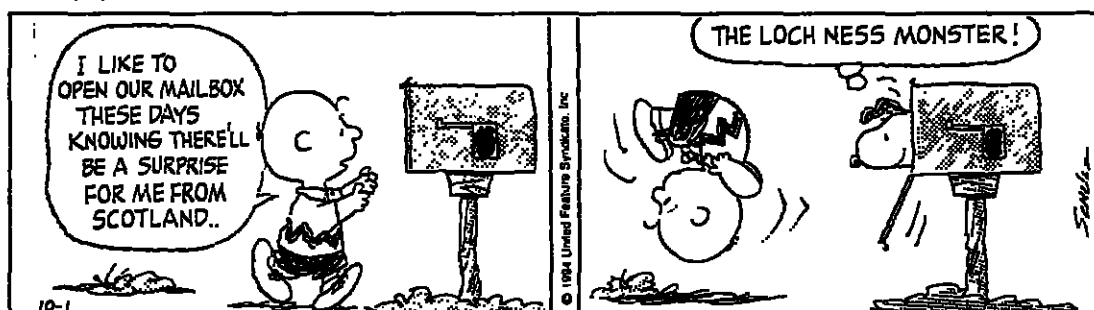
The Rose Bowl is the only New Year's Day game Paterno has not won, and a 6-2 conference record last year in Penn State's first season in the Big Ten left him just short of a trip to Pasadena. His new quest has given him a renewed enthusiasm and he is clearly willing to make whatever adjustments he feels are necessary.

Retirement will just have to wait.

DENNIS THE MENACE



PEANUTS



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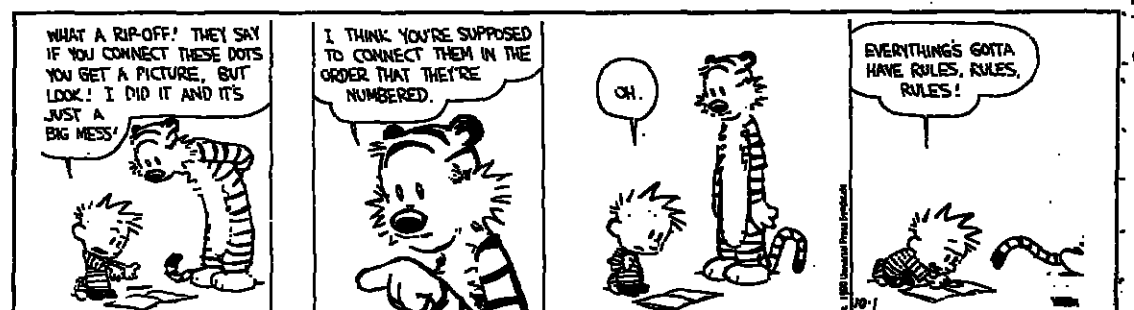
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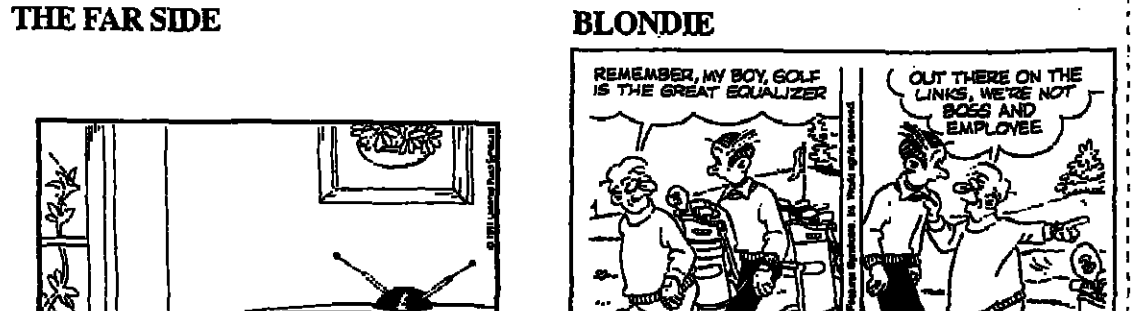
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SPORTS

China Pursues Taipei Protest

But Beijing to Attend Opening Despite Official's Visit

Compiled by Our Staff From Dispatches

HIROSHIMA, Japan — China was still trying Friday to have a senior Taiwan official banned from the opening ceremonies of the Asian Games, contending that he was trying to inject political disturbances into sports.

But Yuan Weimin, head of China's delegation, said the Chinese would not boycott Sunday's ceremonies or the competition, among nearly 5,000 athletes from 42 nations and territories.

Taiwan's delegation replied that it was China that was injecting politics into the Games, wrecking sports exchanges that had been developing between the two sides.

"Contacts still are going on," Yuan said of efforts to have Taiwan's vice prime minister, Hsu Li-tsh, banned from the ceremonies.

He said, however, that China wanted to contribute to a successful Games, attached great importance to the ceremonies and would attend and "display the high spirits of the Chinese people."

In response, Chang Feng-shu, president of Taiwan's Olympic Committee, said he regarded the sporting exchanges that had been progressing between China and Taiwan over the last few years as ended.

China earlier had threat-

ened to boycott the Oct. 2-16 Games if President Lee Teng-hui of Taiwan attended as a guest of the Olympic Council of Asia. The council in effect withdrew Lee's invitation, saying no political figures would be invited.

Hsu's arrival in Okinawa in southern Japan on Friday made him the most senior Taiwanese official to set foot in Japan since Tokyo switched ties to Beijing from Taipei in 1972.

Japan is allowing Hsu to come because he is the head of Taipei's committee bidding to stage the 2002 Games. On Friday, Taiwan again emphasized that Hsu was coming to observe how the Hiroshima Games were being managed.

At a press conference in Hiroshima, the head of the Chinese Olympic Committee made clear that even though Beijing could not stop Hsu's attendance, it would not forget the dispute.

"As you can see, Sino-Japan relations have been damaged," said Wei Jizhong, secretary-general of the Chinese committee. "We have no responsibility for this. This is not a sport issue, this is a political issue."

China has hinted that the dispute could affect Beijing's position on a Japanese application to become a permanent member of the United Na-

tions Security Council and a Tokyo paper reported Friday that the affair could affect Japanese loans to China.

Meanwhile, China's top women swimmers were tested for drugs Friday when international swimming officials surprised them after a practice session.

Shozo Nomura, director of the Games medical division, said he had been tipped off about a test but that the Chinese team had received no warning. China's women swimmers have been accused of using drugs to fuel their rise to world domination in the sport. At the World Championships in Rome in early September, they won 12 of the 16 titles.

China is seeking to win the overall medals race for the fourth consecutive Games. At the 1990 Games, in Beijing, China won 183 gold medals, far ahead of the 54 for South Korea and 38 for Japan.

In Tokyo, the police on Friday seized weapons, including parts for a home-made rocket, from Japanese leftists, who have vowed to disrupt a visit by the emperor and empress to the opening ceremonies.

A police spokesman said that in raids on several "warehouses" north of Tokyo they had seized 3 kilograms (6 pounds) of gunpowder, parts for several projectiles and tools. (AP, Reuters, AFP)



Performers rehearsing Friday for Sunday's opening ceremonies of the Asian Games.

NHL Postpones Season's Start Until Oct. 15

The Associated Press

NEW YORK — The National Hockey League delayed the start of its season on Friday and invited the players association back to the bargaining table. It said games probably would be lost if progress toward a contract was not made in the next two weeks.

The players said they would keep talking but stop skating. The NHL Players Association said its members would not practice until an agreement was reached.

"It's an owners' lockout, pure and simple," said the executive director of the players association, Bob Goodenow.

The action, one day before the season was set to begin, left the NHL in much the same position as major-league baseball — no contract and no play because of a contract dispute involving a salary cap.

On Friday, the NHL commissioner, Gary Bettman, said the league wanted to play a full 84-game schedule with Stanley Cup playoffs. He said the owners wanted to start the season with a new contract but would consider beginning the season on Oct. 15 if substantial progress had been made at the bargaining table.

"We have invited the players

association back to the bargaining table immediately," Bettman said at a news conference. "I am hoping the players meant what they said yesterday, that they want to negotiate in good faith and help make a deal."

On Thursday, the union had pledged to play the season without striking, provided the league dropped its lockout threat and restored contract per diems and other provisions reduced or eliminated before the start of training camp.

"Everyone wants a full season, and from that standpoint, the players association's offer is particularly seductive," Bettman said. But he said it was "not acceptable in the current environment."

Said Jeremy Jacobs, Boston Bruins' owner: "It would be easy for me to say, 'Let's play hockey tomorrow.' We're not losing money. But I cannot ignore the well-being of my partners."

Bettman and some owners said it was imperative for the league and the players to reach agreement on major financial issues before starting the season.

But some players were angry.

"This union is going to stick together," Wayne Gretzky of the Los Angeles Kings said in a Los Angeles television interview. "Right now, there are huge differences and I just don't see hockey being played this year. If they can't get something done in 16 months, how can they expect to get something done in two weeks?"

Stu Grimsom of the Anaheim Mighty Ducks said: "It's plain and simply a lockout. You can call it a two-week postponement if you'd like. Players aren't being paid."

Bettman had said last week that he would postpone the start of the season if there was no settlement by Friday. He said he didn't want to risk a strike during the season or in the playoffs, as happened two years ago.

At issue are four main points: revenue splits to help small-market teams, a rookie salary cap, salary arbitration and free agency. Both sides have offered tax proposals to provide money for small markets, although the players say the league's version would constitute a salary cap.

For Christie and Jackson, Soaring by With a Little Help from a Friend

By Ian Thomsen

International Herald Tribune

PARIS — "I would say yes," Colin Jackson was saying by telephone from London. Could he and Linford Christie have achieved as much without each other?

"I think we'd be as good," he said, "but maybe we wouldn't be as consistently successful as we are now. We might hit it off six of 10 times, rather than the nine of 10 times we hit it now."

In fact, Jackson can't say for sure. He is the best in the world at what he does — the 110-meter hurdles — and has been undoubtedly the best for two years. But he cannot break down his influences any more than a fighter can explain why he likes to fight.

What if he hadn't fallen in with the right coaching as a youngster in Cardiff, Wales? If his family had been less supportive? If something else had snatched his interest?

And after all of that, what if he hadn't come up alongside of Christie?

They met in 1984 and began training to-

gether three years later in the Canary Islands.

"Then we both went out and broke our personal bests," Jackson remembered. "We have a very high level of training together. Linford knows he has to run pretty hard to go away. But it's also the closeness — people saying the right thing at the right time. You've got to have respect for that person who's trying to help you."

"If I'm talking with Linford, he knows that I have achieved at the highest level," he added. "He knows I've been there. At the end, there is a little bit that the coaches don't know."

It is more than the happiest coincidence of British athletics (in these days of drug revelations especially) that Christie, 34, should be dominating the 100 meters while Jackson, 27, is falling in step with him over the high hurdles. Christie is the elder, but he peaked only in 1992 with his Olympic gold medal.

That breakthrough victory of Christie's in Barcelona leaves one with the image of Jackson drafting him from behind. It's hard to prove teamwork in this most individual sport, but they are a team. There's no doubting that

Jackson helped spur Christie on to becoming an Olympic and world champion in his 30s, just as there can be no doubting that Jackson, discouraged when a second-round injury held him to seventh place in the Barcelona final, realized that his teammate had survived a decade of such feelings.

But when asked whether he had suffered any crises of attitude or courage in his career, Jackson said, "No, I've never really had to go through anything like that." Then he said, wait, there was one — a knee cartilage injury before the 1990 European Championships.

So he seems to think it's natural that one defeat wouldn't break him, making him more determined instead. But then that's how he has been brought up.

As much as they enjoy and have profited from each other, the public idea of Jackson and Christie is of two opposites. Whenever the American sprinters Carl Lewis or Leroy Burrell have tried to distract Christie by belittling him, he has listened and responded sincerely — barking back insults, beating

them in major races over the last two years and then beating his chest in front of them. He definitely has appreciated it.

But friendship has more to do with sensitivity, and Christie understands that Jackson is nothing like him.

Still seeking his first major title last summer in Stuttgart, Jackson heard that an American rival, Tony Dees, was calling him a "choker."

"Before the race, Linford didn't say anything about that talk," Jackson said. "He wasn't whipping me up at all. He was saying: 'Are you O.K.? Do you need anything?' He told me a few funny lines of things that had been happening."

He made things quiet for his friend — although after Jackson had won the title in a world record 12.91 seconds, Christie enjoyed pointing out that Dees had finished last.

Jackson is so quiet and poised that it is hard to imagine the causes of his ignition.

"The way I run the high hurdles, I try to be as fluent and as relaxed as I can," Jackson said. "The way Linford sprints — he runs

with aggression and determination and grit. And that really is our personalities in a way."

They recently finished their quietest season — the only year in four to lack an Olympics or World Championship — with each winning the European and Commonwealth championships, with Christie smothering the Americans in Zurich and with Jackson sweeping the lucrative "Golden Four" Grand Prix meets.

Jackson was 17 when he first met his future business partner, "and I remember the coach telling my father that if I train hard and things work well, I should be able to make our Olympic team."

Ten years later and they are Britain's two fastest men, partners in a promotional firm devoted to their mutual profit.

"He's off doing one thing and I'm doing another, so we don't see each other so much now," Jackson said. But soon Jackson will be on his way to Florida for vacation and then the resumption of training with Christie — the work that helps a good friend.

ABOUT FRANKLIN'S LIGHTNING by Frances Hansen

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- 15 Grant
- 16 City south of Moscow
- 17 It's not fair!
- 18 Maneuverable, as a ship
- 20 Jeanne or Bernadette, e.g.
- 21 "A Spy in the House of Love" author
- 24 Mount Palomar sighting
- 29 ——— said, . . .
- 30 Anise-flavored liqueur
- 32 Shorthand inventor
- 33 Pitman

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- 33 Tony of "Who's the Boss?"
- 34 Woolf's "Of One's Own"
- 35 Beaver, for one
- 36 Eighty-six
- 37 Pavarotti's birthplace
- 38 Newsman
- 39 1989 underwater thriller, with "The"
- 40 Heavy and awkward looking
- 42 Third little pig's material
- 43 Old servant's phrase of address
- 44 To ——— (excessively)
- 46 Valor
- 47 "The Cocktail Party" poet
- 48 Alphabet trio
- 49 Paint choice
- 50 Canine's neighbor
- 56 Sniffer's contents, maybe

Solution to Puzzle of Sept. 24-25

- 57 Bombard
- 58 Flu type
- 59 Waterfall
- 61 Front line?
- 63 Prophetic writer
- 64 Cordage fiber
- 65 Skipping syllables
- 66 Turbulent
- 67 Windy City, breezily
- 68 Displease
- 71 "Twenty Years on Broadway" autobiographer
- 72 Among Fr.
- 73 Wimbledon winner, 1975
- 78 Heater
- 79 Scattered
- 80 Hannover Stake, e.g.
- 81 "Last Days of Pompeii" girl
- 82 Seine sight
- 89 Father
- 90 Person with unwashable briefs
- 91 Pitchman
- 92 Steamed dish

SCOREBOARD

European Cups Draw

UEFA CUP

Second Round

First leg Oct. 16, second leg Nov. 1

Newcastle Utd vs. Athletic Club Bilbao

GKS Katowice vs. Girondins Bordeaux

Klipsch Harved vs. TSV Bayer Leverkusen

Juventus FC vs. CS Maritima

Parma AC vs. Ajax

FC Kolnerer vs. Odense BK

FC Bayern Muenchen vs. AS Cannes

Dynamo Moscow vs. Real Madrid

Werder Bremen vs. Eintracht Frankfurt

Rapid Bucharest vs. Eintracht Frankfurt

Tottenham vs. Aston Villa FC

SS Lazio Rome vs. Trabzonspor

Sloven Bratislava vs. Borussia Dortmund

FC Nantes vs. Telesnik Kamychine

Trud Intabruik vs. Deserivie

Boavista vs. Napoli

Cap Wilems' Cup

Second Round

First leg Oct. 20, second leg Nov. 3

FC Porto vs. Ferencváros

Club Brugge vs. Panathinaikos Athens

Chelsea vs. Gubbins Zurich

Basle vs. Auxerre

Pennard Rotterdam vs. Werder Bremen

Ararat vs. Brondby

Tatran Presov vs. Real Zaragoza

European Cups

THURSDAY'S RESULTS

Aston Villa 1, Internazionale 0

Score: Ray Houghton (4th), Agostino

score 1-1, Aston Villa won 4-3 on penalties.

Cup winners' cup

First round, second leg

Feyenoord Rotterdam 2, Zhalarsky Vilnius 1

Score: Feyenoord — Henrik Larsen

(5th), Raul Hess (6th, penalty); Vilnius —

Donatas Vencavidus (8th), Feyenoord won 3-2 on aggregate.

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MALAYSIAN OPEN

Men, Quarterfinals

Jacoa Elling (2), Netherlands, def. Adam

Mello, Malaysia, 4-3 (2); Todd Woodbridge,

Australia, def. Leander Paes, India, 4-4 (2-1);

Andrei Olshchikov, Russia, def. Gianluca

Pozzi, Italy, 1-0 (1-0); Alexander Gracia,

av. def. Shao Matsushita, Japan, 4-4 (2-1).

NOTE: Games against non-NHL teams do not count in standings.

Western Conference

Central Division

W L T Pts GF GA

Detroit 5 2 2 12 24 26

Mr. Straw's House: A Cluttered Trip Down Memory Lane

WORKSOP, England — The National Trust administers many stately homes with fine tapestries, gleaming silver and broad parterres. One of its latest offerings is about as unstate as one can get: the home of a Worksop grocer and the Trust's first semi-detached house.

Since Mr. Straw's House, as the Trust calls it, opened to the public in April 1993, it has received some 16,000 visitors. "Hanging a large amount of people in a very confined space has been our biggest problem," says Simon Murray, historic buildings representative of the Trust's East Midlands region. So great is the demand that visitors must first book appointments with the Trust's office in Worksop.

MARY BLUME

Mr. Straw's House is what is called a time-capsule, the latest wrinkle in the heritage industry: a perfectly preserved example of bygone days. Rather than be stunned by the grandeur of great houses, visitors experience the comfort of the familiar.

"Especially for people of 45-plus it's a great trip down memory lane," says Bruce Griffin, whose wife is the custodian of the house and who gives guided tours. "We all had a grandparent or an uncle who lived with the same furniture in the same sort of house."

William Straw, having married the daughter of a well-to-do butcher and having prospered, moved his family from above the shop to a Victorian semi-detached at 7 Blythe Grove in 1923. Mrs. Straw had the house copiously decorated by Sanderson, replaced the sash window of her parlor with French doors and a hyacinth so she could make gracious entrance, and gave the house the genteel name of Endcliffe Villa.

In 1932, William Straw died suddenly while gardening, followed seven years later by his wife. Two bachelor sons were left, William Jr., who had gone to London to study and teach literature, and Walter, who took over the shop. A curious embalming process began. The boys, as Griffin calls them, preserved the house in every detail as it had been in their parents' time and, natural hoarders, kept everything from their own lifetimes as well.

The stifling result ranges from a reproduction of Gainsborough's "Blue Boy" to a Queen Anne chest to a vacuum cleaner

called a Baby Daisy which had to be operated by two people. A cupboard contains canned goods presumably shifted from the shop during World War II food rationing — "It was totally illegal but if you're in the food trade and you can't do a little bit, then you're in a sad and sorry way, aren't you?" says Griffin — and among the immense piles of newspapers there is an issue of the local paper from 1933 that was forwarded to William on his annual holiday in Scarborough. He thrifly brought it back home to be kept.

Conservators had to touch up the dark painting graining on the woodwork and replace bits of wallpaper. It is harder, Murray says, to restore thin cheap wallpaper

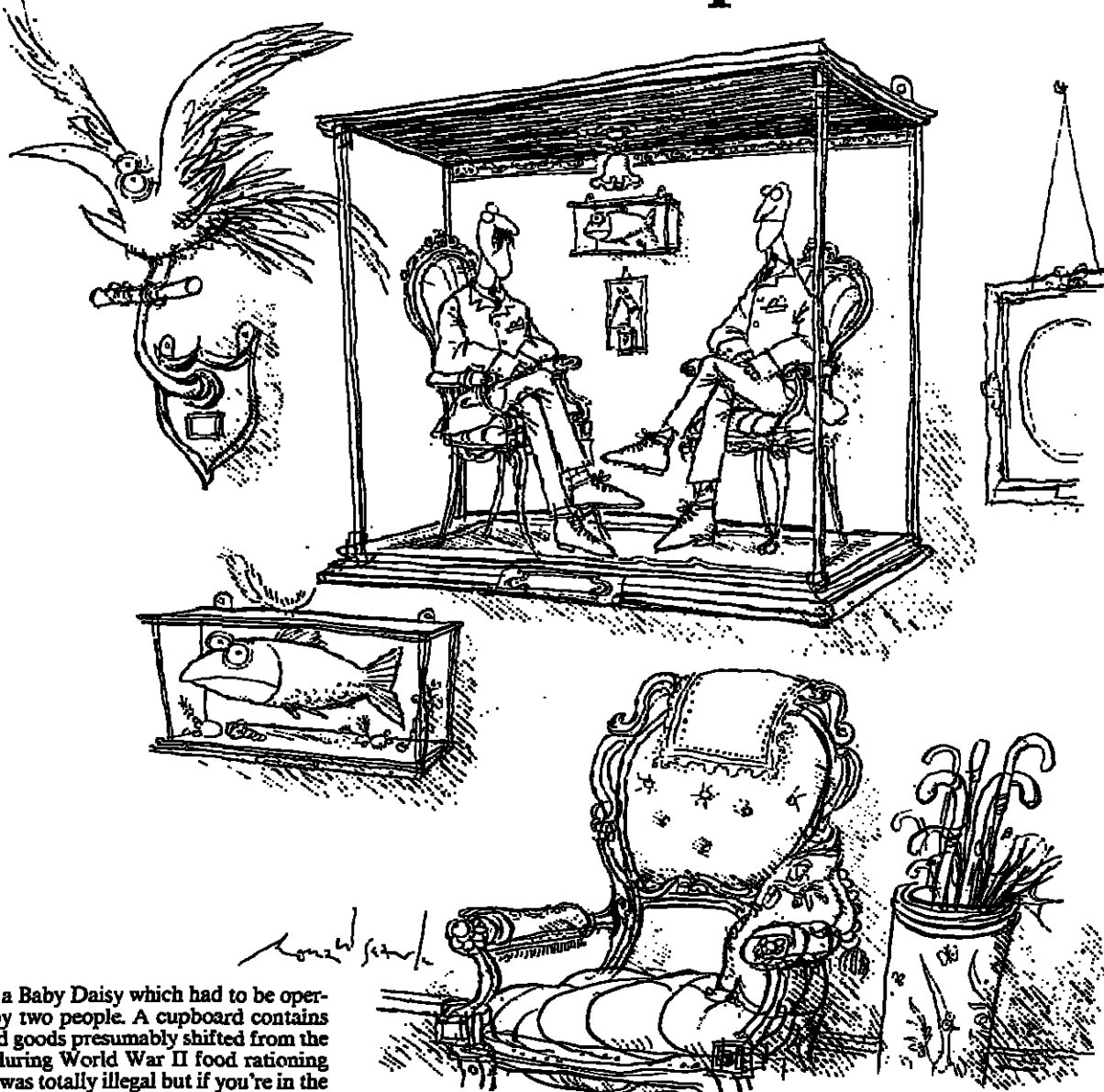
than the heavy costly kind found in great houses and Griffin remembers patient experts scraping at a damp patch with scalpels.

Every drawer was bursting with clothes from the parents' time, calendars and greeting cards had been kept for decades, the parents' clothes were laid out on a bed and covered with newspaper against moths. From November to April, when the house is closed to the public it has to be

thoroughly cleaned and each sock, old newspaper and greeting card put back in place. On a daily basis, the problem is to keep the house clean but not too clean.

"To make it too clean would take away the atmosphere," Griffin says. "From 1939, when Mrs. Straw died, you had two bachelors who didn't fight one another to run for the dust."

Of the two brothers, Walter was the more outgoing since he had to deal with



WEATHER

Europe									
	Today	High	Low	W	High	Low	W	High	Low
Algeria	21/70	18/61	10/52	18/61	14/57	10/52	18/61	14/57	10/52
Amsterdam	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Athens	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Berlin	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Bombay	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Buenos Aires	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Bombay	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Bombay	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Bombay	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52
Bombay	24/75	19/64	10/52	24/75	19/64	10/52	24/75	19/64	10/52

PEOPLE

THE U.S. Postal Service is sticking to its plan to issue a Richard Nixon stamp next year despite a protest by Representative William L. Clay, a Missouri Democrat and chairman of the House Post Office and Civil Service Committee. "The logic of honoring this disgraced president escapes me," Clay wrote to Marvin T. Runyon, the postmaster general. But the Postal Service says it will continue its "long-standing tradition" of issuing stamps to honor deceased presidents within a year of death. (Nixon died April 22.)

W. S. Merwin has won the Academy of American Poets' first annual Tanning Prize, a \$100,000 award. Merwin says he was led to poetry by the hymns he heard as a child in church. "I heard hymns, and I was fascinated by hymns, so I tried to write hymns," said Merwin, who turned 67 on Friday.

Three scientists have received \$25,000 awards from the Albert and Mary Lasker Foundation. They are: Dr. Maclyn McCarty for his role 50 years ago in discovering DNA; Dr. John A. Clements for

his discovery of surfactant, a lubricating molecule in the lung, and using it to create a treatment that can save premature babies from dying of respiratory distress syndrome, and Dr. Stanley B. Prusiner for his work on prions, a kind of protein.

Elvis Presley is still dead. The Tennessee health department found no evidence of lying on his death certificate and no reason to dispute the coroner's conclusion that he died of heart disease. But that's not likely to satisfy suspicious minds, says Jerry Francisco, the coroner who presided over Presley's autopsy in 1977. "We haven't buried John F. Kennedy yet. Haven't buried Martin Luther King. Why should we bury Elvis?" he asked.

NBC's television miniseries based on the life of actress Elizabeth Taylor is back on track after Los Angeles Superior Court Judge Dianne Wayne said it would be a violation of free speech to stop the project. The actress had sued the network in an effort to block the production, saying it would sully her name. Taylor reportedly may file a second suit if she objects to anything portrayed in the miniseries.

DAVE BARRY

A Male Goal: The Big Boom

MIAMI — Women often ask, "what do men REALLY want, deep in their souls?"

The best answer — based on in-depth analysis of the complex and subtle interplay of thought, instinct and emotion that constitutes the male psyche — is that deep in their souls, men want to watch stuff go "bang."

When I was about 10 years old, my friend Neil Thompson and I found a heavy old industrial washing machine that somebody had dumped in the woods. We spent an entire afternoon laboriously rolling the washing machine up a hill and pushing it off the edge of a small cliff. It would tumble down and smash onto some rocks, and we'd immediately go down and start laboriously rolling it back up the hill again. We would NEVER have expended that kind of effort on anything useful, such as mowing a lawn.

Of course as males mature and become responsible members of society, they are less likely to spend their time pushing washing machines off cliffs. They are more likely to pursue an activity such as Car Bowling. This is an exciting new sport that I found out about from an alert reader named Robert Grimm. He referred me to a friend of his named Mark Luman, a pilot in Michigan, who informed me that what he and his pilot friends sometimes do, for recreation, is go up in airplanes and drop bowling balls on cars.

I have to admit that the idea of Car Bowling appealed to me, although I did have a couple of concerns, the main ones being:

1. Are there MOTORISTS in these cars?
2. Do the pilots wear rental shoes?

I am pleased to report that the answer to both questions is "yes." Luman told me that in Car Bowling, you use an unoccupied junk car, which you place on the runway of a private airport. Then you fly over in a small plane, going 50 to 90 miles per hour at an altitude of 20 to 50 feet, and attempt to hit the car with a bowling ball. If you succeed, you get the sense of inner spiritual gratification that comes from seeing what happens to a car that has been hit by a bowling ball. But the beauty of Car Bowling is that even if you MISS, you get a very positive result, from the male perspective.

"You cannot imagine," said Luman, "how far a bowling ball will bounce when it hits a hard surface at that speed. It's AMAZING."

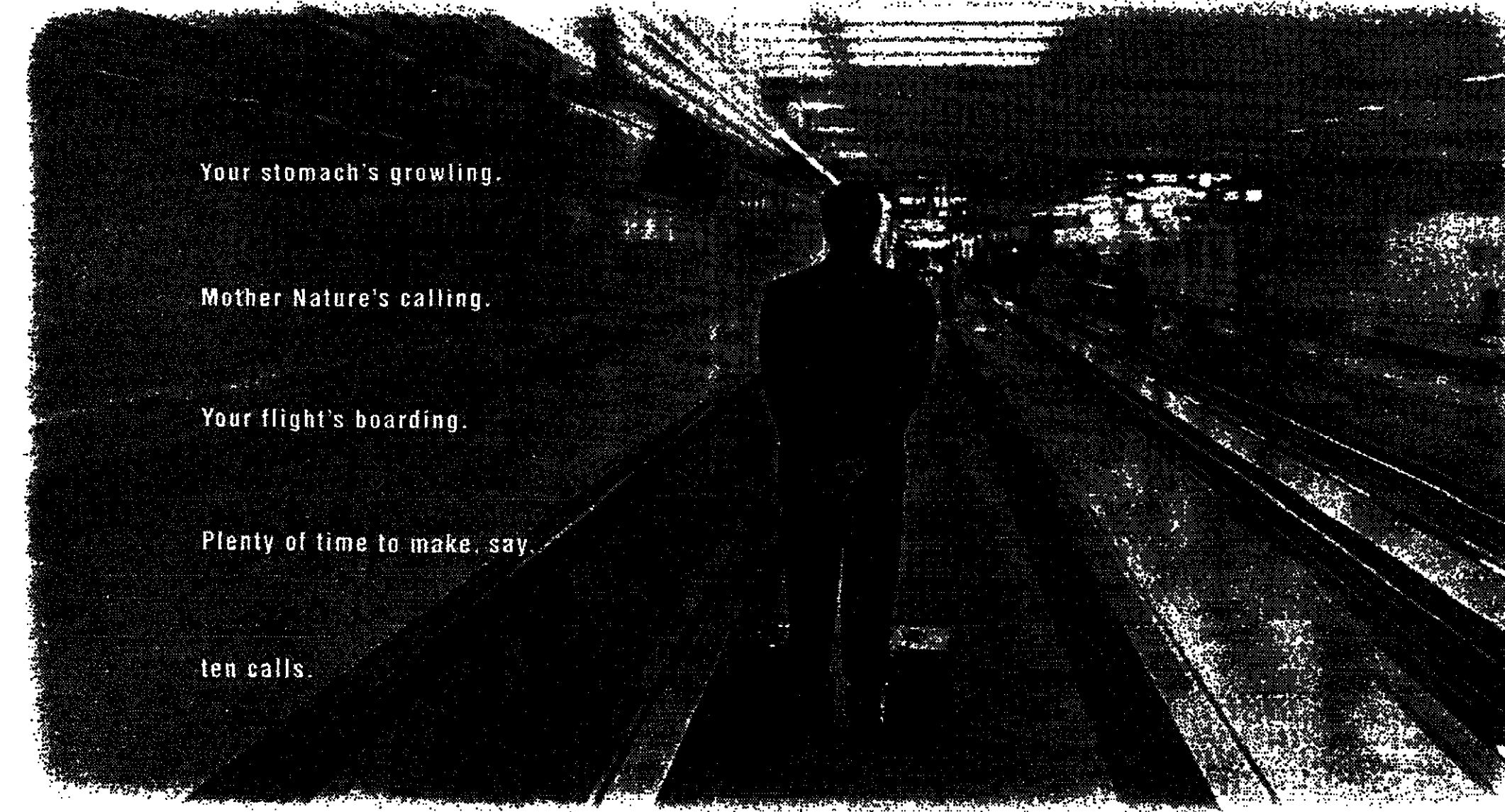
Speaking of high-speed bowling balls, here's a TREBUCHET UPDATE: You may recall that some months ago I wrote a column about three Texas guys who want to build a trebuchet — a medieval weapon similar to, but more advanced than, a catapult — capable of hurling a Buick 200 yards. I'm pleased to report that they've made important progress in the form of producing hats, T-shirts and official stationery that says "International Hurling Society."

Also they made a video. It opens with an arty shot of their prototype trebuchet silhouetted against the sky; dramatic music is playing in the background. A somber voice says: "We have created a weapon of war that the world has not seen in more than 500 years. Why?"

Then another voice says: "I have no idea."

This is followed by scenes of the prototype hurling bowling balls an astounding distance. Watching it, I couldn't help but think: This thing could DEFINITELY bring down a small plane.

Not that I am suggesting anything. Knight-Ridder Newspapers



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below for the country you're calling from. Your call

will go through in seconds. Then, instead of hanging

up after each call, busy signal or unanswered call,

simply press the #button. In short, you'll spend less

time dialing. And more time talking. Wait. On second

thought, isn't your flight about ready to take off?

ASIA/PACIFIC									
Australia	1800-881-011	PHILIPPINES	000-511	Austria	022-900-011	HUNGARY	000-800-0111	NORWAY	800-199-11
China, PRC	10811	RUSSIA (MOSCOW)	105-042	Belgium	0-800-100-10	Iceland	000-800-001	Poland	00010-480-0111
Hong Kong	800-1111	SAPANA	235-2872	Bulgaria	00-1900-0010	Ireland	1-800-550-000	Portugal	05011-1-288
India	800-117	Singapore	800-011-111	Croatia	90-30-0011	Italy	172-1011	Romania	01-800-4288
Indonesia	001-001-10	Sri Lanka	430-430	Czech Republic	00-420-00101	Liechtenstein	195-00-11	Slovak Rep.	90-420-00101
Japan	0010-111	Taiwan	0088-10288-0	Denmark	8001-0010	Lithuania	0-800-0111	Spain	900-90-00-11
Korea	800-111	Thailand	0019-991-1111	Finland	8000-100-10	Malta	0086-800-10	Sweden	020-795-011
Malaysia	000-011	Armenia	8014111	France	190-0011	Monaco	190-0011	Switzerland	1-800-11
Malaysia	000-011	EUROPE	8014111	Germany	0130-0010	Netherlands	00-022-0111	Ukraine	800-00-11
Malaysia	000-011			Greece	00-800-0111			U.S. Arab Emirates	800-121

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